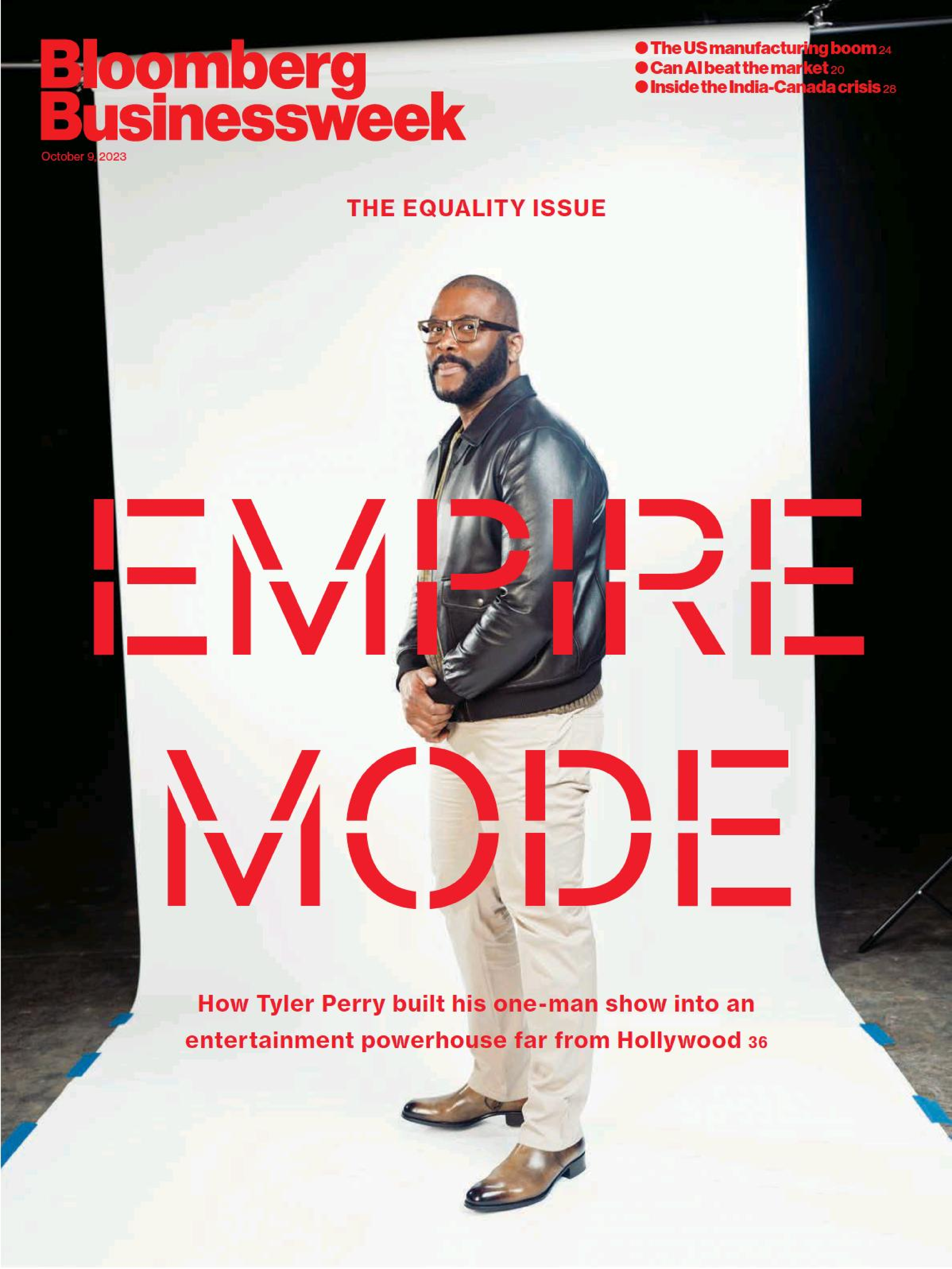
Bloomberg Businessweek
October 9, 2023

● The US manufacturing boom 24
● Can AI beat the market 20
● Inside the India-Canada crisis 28



THE EQUALITY ISSUE

EMPIRE MODE

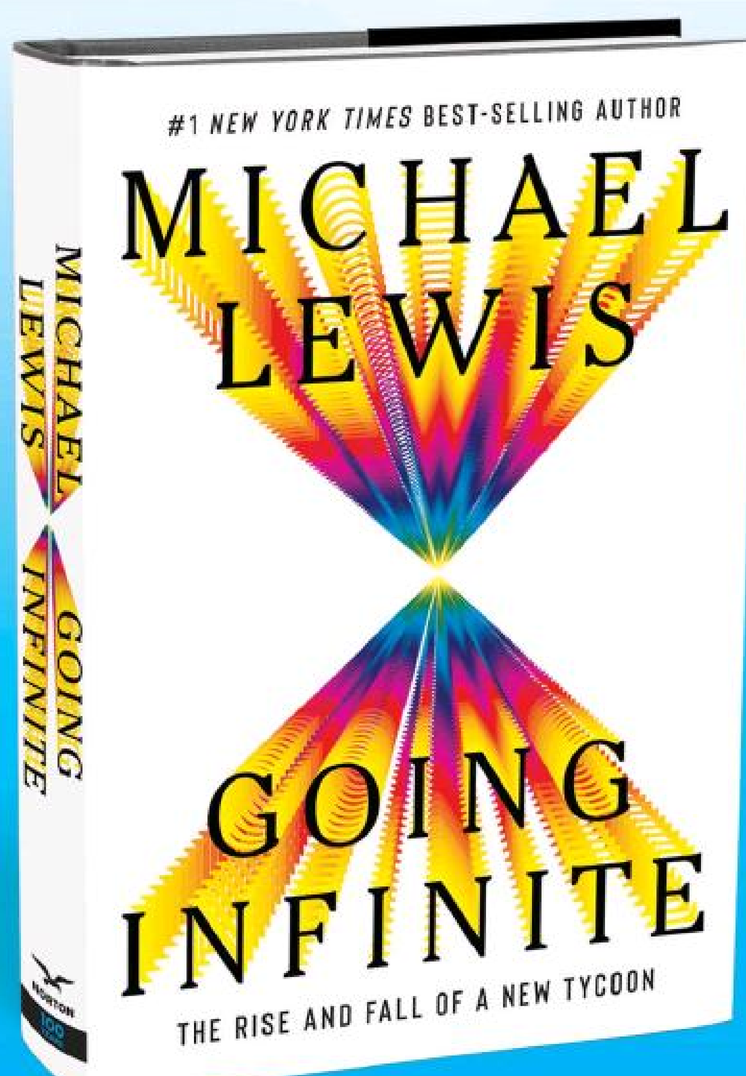
How Tyler Perry built his one-man show into an entertainment powerhouse far from Hollywood 36

VISIT…

#1 Best-selling author of **THE BIG SHORT** and **FLASH BOYS** and **MONEYBALL** and **LIAR'S POKER** and . . .

MICHAEL LEWIS

HAD UNPARALLELED ACCESS TO THE RISE . . .



AND THE FALL.

"The Rise of FTX, and Sam Bankman-Fried, Was a Great Story. ITS IMPLOSION IS EVEN BETTER." —*NEW YORK TIMES*

Available wherever books are sold

100 W. W. NORTON & COMPANY
Celebrating a Century of Independent Publishing

wwnorton.com

Bloomberg Businessweek

October 9, 2023



◀ Perry fully owns all 28 of his movies, and some 1,800 TV episodes

COURTESY TYLER PERRY STUDIOS

SPECIAL REPORT 28 Global Fallout From a Murder in Canada
Hardeep Singh Nijjar's assassination echoes through India, Europe and the US

EQUALITY ISSUE 34 SLOUCHING TOWARDS FAIRNESS
36 Tyler Perry, already a cultural phenomenon, now aims to be a critics' darling
42 Yes, Black Lives Matter helped diversify the workforce—a lot
46 The trouble with US child care: There's not enough of it, and it costs too much
48 Indigenous art draws collectors—and plenty of conflict—to New Mexico
54 A community fights to return to the islands the UK forced them off decades ago

■ IN BRIEF	4	Kevin McCarthy ● Job growth slows ● Jamie Dimon
■ OPINION	5	Get those absent school kids to stop playing hooky
■ AGENDA	5	Argentina votes ● US inflation ● Scorsese's latest
■ REMARKS	6	The 5th Circuit may out-conservative the Supreme Court
1 BUSINESS	9	EV mania, sure, but car buyers aren't forgetting hybrids
	11	The FDA may take drugs that sped to market off the shelf
	13	Ten companies to keep an eye on in the fourth quarter
2 TECHNOLOGY	14	Ill-timed IPO investments are coming back to bite
	16	Is Scattered Spider hacking your help desk?
	18	ChatGPT has techies ready to leave their phones behind
3 FINANCE	20	Investors pile into AI, and don't find a pot of gold
	22	Financial advisers struggle with a cruel new world
4 ECONOMICS	24	▼ Factories are sprouting up all over the US, bringing jobs, income—and a good deal of apprehension



■ LAST THING	60	Fighting the assault on LGBTQ rights pays off

How to Contact *Bloomberg Businessweek*
EMAIL bwreader@bloomberg.net ● TWITTER @BW ● INSTAGRAM @businessweek ● FACEBOOK facebook.com/bloombergbusinessweek ● AD SALES 212 617-2900, 731 Lexington Ave. New York, NY 10022 ● SUBSCRIPTION HELP businessweekmag.com/service ● REPRINTS/PERMISSIONS 800 290-5460 x100 or businessweekreprints@theygsgroup.com

A Bloomberg Publication Before it's here, it's on the Bloomberg Terminal. Learn more at bloomberg.com/company

■ COVER TRAIL

How the cover gets made

❶

"This week is our annual Equality Issue."

"How are we doing—any more equal?"

"There's room for growth, but also some bright spots. Oh, and Tyler Perry will be the cover. He's transforming Atlanta into the Hollywood of the South."

"There's some weird strike stuff happening. Will he sit for a portrait?"

"He did in May!"

❷

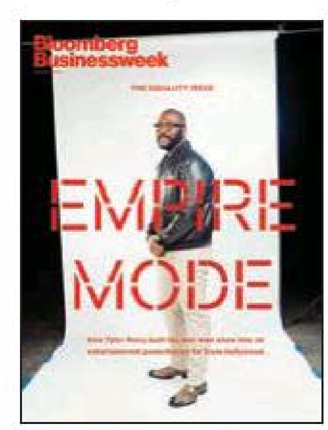
"So. I've got bad news. There's a geopolitical crisis between Canada and India over the assassination of a Sikh political activist, and it needs to be our international cover."

"Oh, no! Are Trudeau and Modi going to make it through this?"

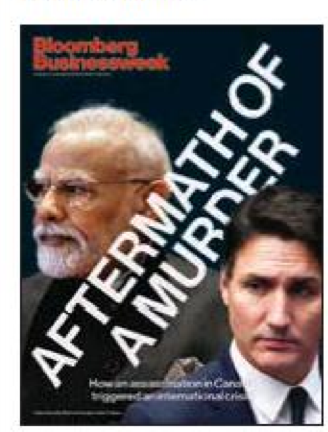
"If anything, it'll be a dry run for how the Travis Kelce–Taylor Swift breakup might go."

"Now *that* will be geopolitical."

↓



Cover: Photograph by Braylen Dion for *Bloomberg Businessweek*



Cover: Photo illustration by 731; photos: Getty Images (2)

ECONOMICS: STEPHEN B. MORTON/BLOOMBERG

Google

We protect America's critical infrastructure with the world's most advanced security

Our nation's critical infrastructure has become an increasingly common target for cyberattacks. Google is working with organizations across the country to help protect the infrastructure we all rely on.

We're joining forces with **national defense agencies** to deploy **advanced AI technology to ensure our nation's digital defenses remain secure.**

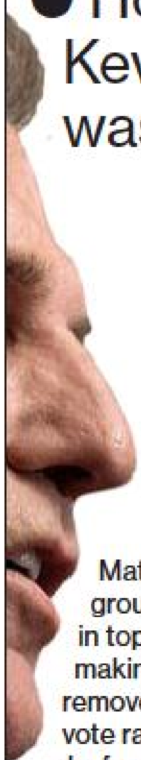
We're securing patient data for **hospitals** across the country with **industry-leading threat detection and response,** speeding up cyber threat response time to hours instead of weeks.

We're protecting student and teacher data in **school districts** nationwide with **Chromebooks and Workspace for Education, which are secure by default.**

We're working with **local governments** across the country to **protect public infrastructure and keep critical systems online 24/7.**

Explore how Google is keeping more Americans safe online than anyone else at safety.google/cybersecurity

Safer with Google



● House Speaker Kevin McCarthy was ousted.

Matt Gaetz of Florida led a group of Republican dissidents in toppling McCarthy on Oct. 3, making him the first speaker to be removed from the job. The 216-210 vote raises fresh questions about dysfunction in Washington.

● US companies added just

89,000

jobs in September, the lowest number since the start of 2021, according to figures published on Oct. 4 by ADP Research. Pay growth slowed as well, underscoring the weakening labor demand in several industries. Stock futures rose and Treasury yields sank after the report, as the odds of another Fed rate hike by yearend declined.



● With El Niño exacerbating an extreme drought caused by climate change, part of the Rio Negro ran dry near Manaus, Brazil, on Oct. 3. The low river levels throughout the Amazon are killing off fish, generating pollution and isolating communities, which now have to get food, medicine and water by air.

● More than 75,000 Kaiser Permanente workers went on strike on Oct. 4.

The latest in a series of labor disruptions in the US, the three-day strike will disrupt nonessential services at one of the nation's largest health-care providers. Tensions in the industry have worsened since the pandemic. The unions accuse the company of cutting workers through attrition, creating an understaffed workforce that can't look after patients.

● The Treasury Department on Oct. 3 said 28 people and entities in China and Canada were involved in the large-scale manufacture and distribution of the dangerous opioid fentanyl in the US. It froze their assets and prohibited Americans from transacting with them. In 2022 almost

120,000

people in the US died from a drug overdose, up from about 20,000 in 2000.

● United announced on Oct. 3 that it would buy

110

more aircraft, including 50 Boeing 787-9 Dreamliners and 60 Airbus A321 narrowbody jets. United has said it will add about 800 narrowbody and widebody planes over the next decade and hire more than 10,000 pilots.



● War in Ukraine

► President Joe Biden plans to approve the transfer of long-range missiles armed with cluster munitions to Kyiv, according to the Army's top weapons buyer. People familiar with the matter say Biden finally relented on sending the Army Tactical Missile System during President Volodymyr Zelenskiy's September visit to Washington.

► Winning almost 23% of the vote in Slovakia's elections on Sept. 30, the populist Smer-SD party is set to lead the government. Robert Fico, its pro-Russian leader and the likely prime minister, has promised to halt the country's military support for Ukraine.

● "Your children are going to live to 100. ... And, literally, they'll probably be working three-and-a-half days a week."



JPMorgan Chase CEO Jamie Dimon, speaking on Oct. 2 to Bloomberg TV, said AI, already being used by thousands of employees at his bank, will make drastic improvements in workers' quality of life, even if it eliminates some jobs.

● Barrick Gold on Oct. 4 said it will spend almost

$2b

to turn its once-unprofitable Lumwana copper mine in Zambia into a "super pit" that will double production. A day earlier, the presidents of Zambia and Congo broke ground on an $850 million road project connecting copper and cobalt mines in the Democratic Republic of Congo through Zambia to an East African port.



● California Governor Gavin Newsom appointed Laphonza Butler, the president of Emily's List, to finish the late Dianne Feinstein's term in the US Senate. Butler, sworn in on Oct. 3, becomes the first Black lesbian to serve in Congress. House Democrats Barbara Lee, Katie Porter and Adam Schiff are all running for the seat in 2024.

Schools Need to Get Chronically Absent Students Back to Class

Almost four years into America's learning-loss crisis, perhaps the biggest challenge facing schools is a basic one: getting students to show up. Rates of absenteeism have surged since the start of the Covid-19 pandemic, across almost all regions, income levels and age groups. School leaders need to act now or risk seeing millions of students lose any chance of recovery.

By any measure, US students are missing huge amounts of school. During the 2021-22 academic year, 28% of schoolchildren were "chronically" absent—defined as missing at least 10% of the 180-day school year, or three-and-a-half weeks. That's up from a rate of 15% in the last full year before the pandemic. The problem is most acute in urban public school districts: Chronic absenteeism topped 40% in New York City, Los Angeles and Chicago; in Detroit, the rate was 77%. But even affluent, suburban areas have seen unexcused absences soar.

It hardly needs saying that the impact on kids can be devastating. Being chronically absent increases students' likelihood of dropping out of high school, reduces their lifetime earnings and makes them more prone to commit crimes. It's also behind the plunge in test scores since the start of the pandemic. An analysis by the White House's Council of Economic Advisers found that absenteeism was responsible for 27% of the drop in fourth grade reading scores on the 2022 National Assessment of Educational Progress and 45% of the decline in math.

Several related factors have contributed to this crisis. The advent of remote learning during the pandemic altered students' routines and led many to conclude that in-person attendance was optional. Districts have eased grading policies that penalized students for missing class or turning in assignments late. Parents are now more inclined to keep kids home for minor illnesses. Technology isn't helping. There's evidence that absenteeism had already begun rising before the pandemic, coinciding with the explosion of smartphone and social media use among children—which increased distractions and weakened students' connection to school.

Reversing these trends will require a range of strategies. School districts' top priority should be identifying families with chronically absent students, informing parents about the long-term consequences of missing school and following up with phone calls, text messages and home visits if the problem persists. Pandemic-era health guidelines should be revised so students aren't kept home for relatively innocuous coughs. Meanwhile, accountability should be toughened. Schools should impose stricter limits on the number of assignments that can be submitted online and make attendance a bigger portion of students' grades. They should limit repeat offenders' participation in activities such as sports.

For its part, the federal government should increase grants to states to promote anti-absenteeism policies and reward those that show sustained results. Experiments to improve attendance and student performance by pushing back start times, as California is doing, should be evaluated for effectiveness. Expanding merit-based pay for teachers and boosting incentives for top teachers to teach in poorly performing classrooms is also critical. Research shows that teachers who've been successful in raising student achievement are also more likely to motivate them to show up for class.

Above all, the absenteeism crisis demands a greater sense of urgency. With the looming expiration of $190 billion in federal pandemic aid, many districts face a funding shortfall that threatens to limit future efforts to combat learning loss. If the US hopes to prevent permanent damage to a generation of students, the first task is getting them back into the classroom. Ⓑ

For more commentary, go to bloomberg.com/opinion

■ AGENDA



▶ Don't Cry for the Peso, Argentina

Argentina votes on Oct. 22. While unreliable, polling shows Javier Milei, a far-right populist, ahead of center-left and center-right candidates Sergio Massa and Patricia Bullrich. Milei favors ditching the central bank and the peso.

▶ It's earnings season on Wall Street, with JPMorgan Chase, Citigroup, Wells Fargo, BlackRock and PNC Financial all sharing results on Oct. 13.

▶ The US Bureau of Labor Statistics puts out monthly and annual inflation data for September on Oct. 12. Year-over-year inflation has risen slightly for two months in a row.

▶ China publishes its year-over-year inflation rate and trade balance for September on Oct. 13. Growth in China's service and manufacturing sectors has been slowing.

▶ The US Fed releases the minutes of its last Open Market Committee meeting on Oct. 11. Analysts will be searching for insights into where rates are headed next.

▶ Santiago hosts the 2023 Pan American Games, featuring all 41 national teams in the Pan American Sports Organization, beginning on Oct. 20 at 39 venues in and around the city.

▶ This year's Oscar contender from Martin Scorsese, *Killers of the Flower Moon*, starring Lily Gladstone, Leonardo DiCaprio and Robert De Niro, comes out on Oct. 20.

MCCARTHY: NATHAN HOWARD/BLOOMBERG. BRAZIL: BRUNO ZANARDO/GETTY IMAGES. AIRBUS: AIRBUS. DIMON: JASON ALDEN/BLOOMBERG. BUTLER: TING SHEN/BLOOMBERG. ILLUSTRATION BY RACHEL LEVIT RUIZ



Here We Go Again

● The US Supreme Court's new term includes a stack of cases from the country's most conservative judges

● By Greg Stohr

The US Supreme Court opened on Monday, Oct. 2, thinking about where its conservative revolution should go next. One federal appeals court already has lots of ideas.

In the next nine months, an outsize share of the high court's biggest cases will come from the ultraconservative 5th US Circuit Court of Appeals, whose far-reaching rulings are proving impossible for the Supreme Court to ignore. Cases involving federal regulatory power, guns and probably abortion and social media regulation will test just how far the Supreme Court's conservative majority wants to go in remaking the nation's legal landscape.

The justices have already announced they will take up a 5th Circuit decision that declared the Consumer Financial Protection Bureau's funding system unconstitutional and another that rejected the Securities and Exchange Commission's use of in-house judges. The high court will also review the 5th Circuit's conclusion that people subject to a domestic violence restraining order retain a constitutional right to carry a gun, as well as a ruling letting Texas regulate content moderation decisions by social media companies. And in the coming weeks, the Supreme Court may agree to review 5th Circuit rulings limiting access to a commonly used abortion pill and tossing out the federal ban on bump stocks, the devices that convert semiautomatic rifles into machine guns.

For a single appeals court, it's a dizzying list, one that's provoked criticism of judicial overreach. "The 5th Circuit is ready to adopt the politically most conservative position on almost any issue, no matter how implausible and no matter how much defiling of precedent it takes," says Irv Gornstein, executive director of the Supreme Court Institute at Georgetown University Law Center.

PHOTO ILLUSTRATION BY 731; PHOTOGRAPHS: GETTY (2)

The rulings come from a court stacked with 12 full-time judges appointed by Republicans, including six named by former President Donald Trump, and only four Democratic selections. The New Orleans-based court has jurisdiction over Louisiana, Mississippi and Texas, states whose Republican senators have shepherded through nominees with robust conservative credentials, including deep ties to the Federalist Society. The group includes James Ho, a Trump appointee who's described abortion as a "moral tragedy" and written that "if there is too much money in politics, it's because there's too much government." Another Trump appointee, Cory Wilson, wrote before he became a judge that "gay marriage is a pander to liberal interest groups." A third, Stuart Kyle Duncan, has become a lightning rod because of his opposition to LGBTQ rights; angry protesters once prevented him from giving a speech at Stanford Law School.

The 5th Circuit's composition has made it the go-to forum for conservatives looking to press ideologically divisive litigation, sometimes with novel legal theories. Many of those cases start in Texas, where Republican state officials have made a practice of filing suits challenging Democratic administration policies before sympathetic federal district judges. The 5th Circuit struck down a key provision of the Affordable Care Act in 2019, backed an unusual Texas law allowing private enforcement of a six-week abortion ban in 2021 and has repeatedly blocked Democratic immigration policies.

Not all of those cases ended well for conservatives. The Obamacare challenge was an especially big loser, earning a 7-2 rejection at the Supreme Court. In its most recent term, the Supreme Court at least partially rejected the 5th Circuit's position in seven of nine cases, including fights over President Joe Biden's deportation policies and a Native American adoption law.

The 5th Circuit may encounter more skepticism in the new term. The gun rights case tests the limits of the Supreme Court's 2022 *New York State Rifle & Pistol Association Inc. v. Bruen* decision, which said the Second Amendment requires restrictions to have an "historical analogue" that shows they fit within the nation's tradition of firearms regulation. Writing for a 5th Circuit panel that included Ho, Wilson said the government hadn't shown an historical pedigree for a law banning gun possession by people who are bound by domestic violence restraining orders.

The ruling tossed out a criminal charge against Zackey Rahimi, who prosecutors say participated in five shootings and threatened another woman with a gun, all after a judge had imposed a restraining order to protect a former girlfriend Rahimi had attacked and threatened to shoot. Even some conservatives question whether the Supreme Court will go so far as to back Rahimi's right to own a gun, saying his violent history could give the Biden administration an edge. "If the government could have picked a case to be the first post-*Bruen* case, I think they would have picked this case and this statute," says Hashim Mooppan, a Washington appellate lawyer who worked in the Justice Department under Trump. He predicts a government victory, though likely on narrow grounds.

Others hold that the 5th Circuit is simply doing what the Supreme Court instructed lower court judges to do when it ruled that gun regulations need to be rooted in history. "The 5th Circuit is showing the Supreme Court what it may very well have wrought in *Bruen*," says Tara Leigh Grove, a professor who teaches constitutional law at the University of Texas. "It's an extremely concerning implication of *Bruen*. But I don't think it's an unfair application of what the Supreme Court gave the lower courts in *Bruen*."

Federal regulation is an area where the circuit has gotten especially creative. It blazed a new trail in the case of the CFPB, the agency set up after the 2008 global financial crisis to regulate consumer finance products such as mortgages and credit cards. In another opinion by Wilson, the appeals court said the agency, which gets its money through the Federal Reserve, was set up in violation of the constitutional clause that requires a congressional appropriation for government spending. The ruling marked the first time a federal appeals court had invoked the appropriations clause as a restriction on how Congress can fund an agency, rather than simply a limitation on the executive branch. The stakes are high: Although the 5th Circuit invalidated only a never-enforced payday-lending rule, the Biden administration says the decision has cast a shadow over every action taken by the agency since its creation after the 2008 financial crisis. Already, some companies and people sued by the CFPB have raised this case as grounds for dismissal.

With the SEC, the 5th Circuit found three separate constitutional problems, giving the Supreme Court a menu of options for curbing a system of in-house judges the commission uses for hundreds of cases a year—more than half of its enforcement efforts. Siding with hedge fund manager George Jarkesy, Judge Jennifer Walker Elrod wrote for the 5th Circuit that the use of administrative law judges violated the constitutional right to a jury trial. Elrod, an appointee of Republican President George W. Bush, also said Congress violated the sparingly invoked "nondelegation doctrine" by giving the SEC broad discretion to decide which cases it would press before in-house judges. And she said the judges' job protections leave them too insulated from presidential control. The Biden administration is asking the Supreme Court to overturn all three of those holdings, saying the ruling could have "massive practical consequences" if left intact.

It's a sign of just how far the 5th Circuit is going that the Biden administration is repeatedly turning to the Supreme Court for help, its 6-3 conservative majority notwithstanding. The question for the high court will be how much it wants to rein in an appeals court that has put itself at the forefront of the conservative legal movement.

"Some of the 5th Circuit's decisions that will be reviewed this term may well be affirmed," Georgetown Law Center's Gornstein says. "Not every one of them was delivered from Crazytown. But it would be shocking if at least some of those decisions are not reversed." **B**

The brand-new talk show where pop culture meets business

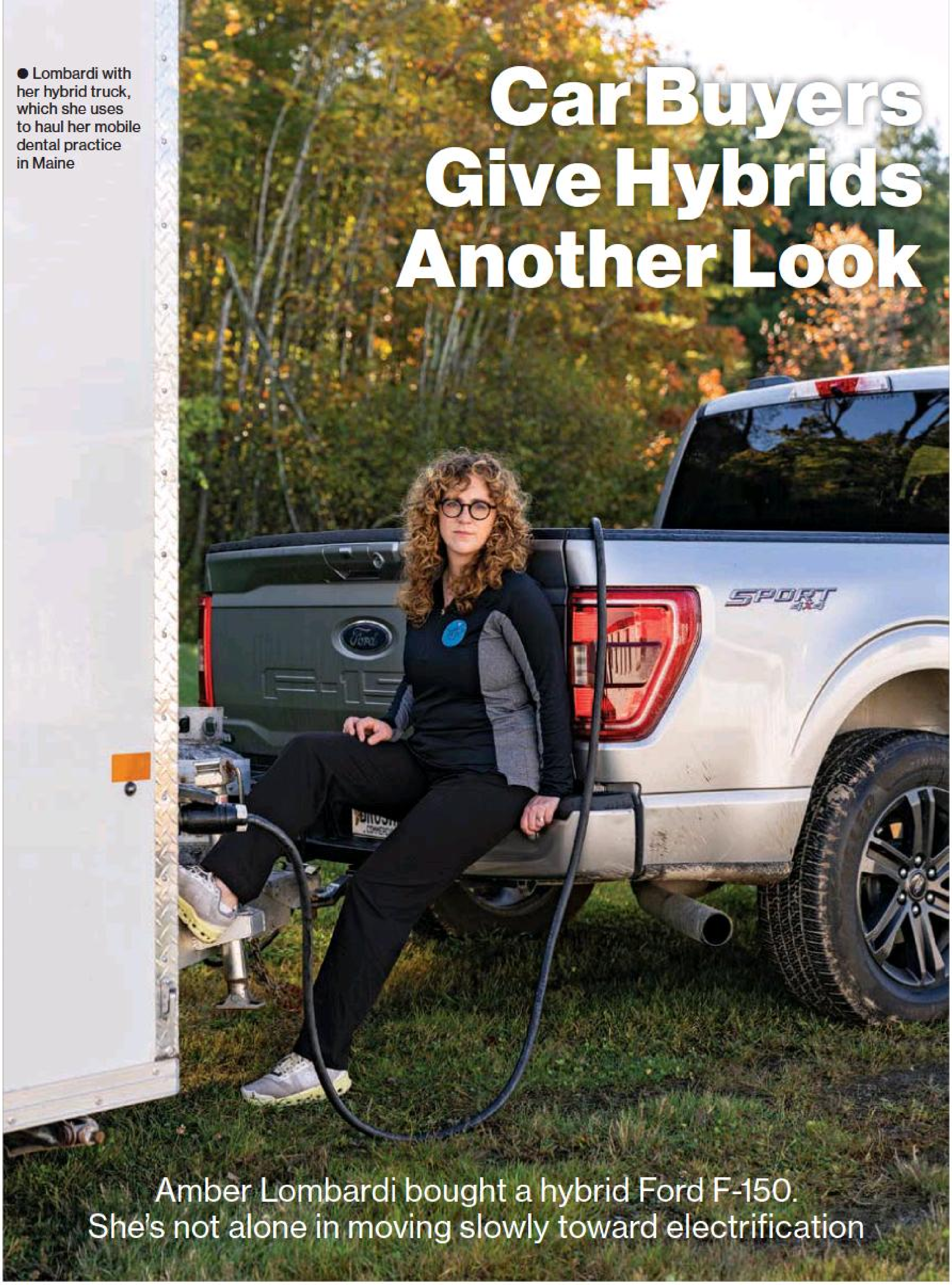


► Airing every Thursday from October 12 on the Bloomberg Originals stream (8:30 p.m. ET), Bloomberg Television (10:30 p.m. ET) and YouTube

Bloomberg ORIGINALS Bloomberg Television

LG Channels Samsung TV Plus The Roku Channel fire tv YouTube

Car Buyers Give Hybrids Another Look



● Lombardi with her hybrid truck, which she uses to haul her mobile dental practice in Maine

PHOTOGRAPH BY TARA RICE FOR BLOOMBERGBUSINESSWEEK

Amber Lombardi bought a hybrid Ford F-150. She's not alone in moving slowly toward electrification

When Amber Lombardi went car shopping last year, she knew she needed an efficient vehicle able to haul a large trailer for her mobile dental practice. And it would be great if it could help provide electricity for some of her onboard equipment. The Ford F-150 pickup she chose has plenty of towing capability, and her drills and teeth-cleaning tools can draw juice from a 7.2-kilowatt generator built into the bed of the truck, powered by the same battery that helps propel it down the road.

Lombardi's truck isn't one of Ford Motor Co.'s hot-selling F-150 Lightning electric pickups. It's a gasoline-electric hybrid version of the venerable F-150, which costs less than the Lightning and still saves big on fuel bills. "It just wasn't within our reach to have a fully electric vehicle at this time," says Lombardi, chief executive officer of Mainely Teeth in Portland, Maine. "So this is kind of bridging our gap."

More than a quarter-century ago, Toyota Motor Corp. introduced the Prius, a car with a new technology–a small gasoline engine paired with a relatively large battery–that would become a darling of the green movement. But in recent years those hybrids fell out of favor as automakers raced to develop fully electric vehicles, which captured generous government incentives and sparked the ▶

Edited by James E. Ellis and David Rocks

◀ imaginations of forward-thinking drivers. Now hybrids are making a comeback as would-be electric vehicle buyers are increasingly put off by stiff sticker prices and spotty charging infrastructure.

US sales of hybrids have more than doubled since 2020 and are heading toward a 35% increase this year, according to researcher GlobalData. "The auto industry doesn't function in a mode where you just flip a switch and everything's different," says Jeff Schuster, GlobalData's executive vice president for automotive. Hybrids are "a way for the mass market to start edging into electric vehicles."

To win over some of those customers, Ford is doubling production of its three-year-old F-150 hybrid and lowering the price by $1,900, making it about equal to the full-gasoline model and almost 10% cheaper than the all-electric version it introduced in 2022. Ford aims to quadruple hybrid sales over the next five years and offer the technology across its lineup, even as it throttles back ambitious production plans for its fully electric models. "We have been surprised, frankly, at the popularity" of hybrids, Ford Chief Executive Officer Jim Farley said on an earnings call in July.

For drivers seeking to tow big trailers, hybrids are a better option than fully electric versions, because heavy loads sap the battery and reduce the range of an all-electric pickup. The F-150 hybrid combines an electric motor with a 3.5-liter V-6 engine, giving it 430 horsepower, among the most powerful in the F-150 lineup. The 2023 model averages about 25 mpg, versus 21 mpg for a conventional F-150 with the same engine, according to the Environmental Protection Agency.

GlobalData expects Toyota's hybrid sales to rise 7.5% this year, to more than 600,000. About one-third of Toyota's US sales are hybrids, and some models are only available as gas-electrics, including the Sienna minivan and Sequoia full-size SUV.

The Sienna has a waiting list of at least eight months, and Toyota would sell more hybrids as a percentage of its total—especially plug-in models—if it had more powertrains available, says Jack Hollis, Toyota's US sales chief. "If you look at plug-in hybrids, it's really growing fast," he says. "We could easily double our plug-in hybrid" sales.

Although plug-in hybrids—which come with a charging port like a fully electric vehicle—provide added flexibility, they also add thousands of dollars to the sticker price. Hollis says many American buyers are satisfied with cheaper so-called mild or rechargeable hybrids, especially when the vehicles are tuned to eke out more horsepower—even at the expense of fuel economy.

The number of hybrid models for sale in the US market is expected to grow to 369 by 2026, more than double the 164 on sale in the US in 2020, according to GlobalData. Hyundai Motor Co. and Honda Motor Co. also are major hybrid manufacturers that combined are expected to control 32% of the US market for gas-electric models this year.

Hybrids account for almost one-fifth of Honda's sales in the US. "Hybrids are really contributing to the sales success we're seeing, both on the Honda and Acura side of the business," says Mamadou Diallo, Honda's US sales chief. "The kind of volume we're doing with hybrids really sets the tone for our future EVs."

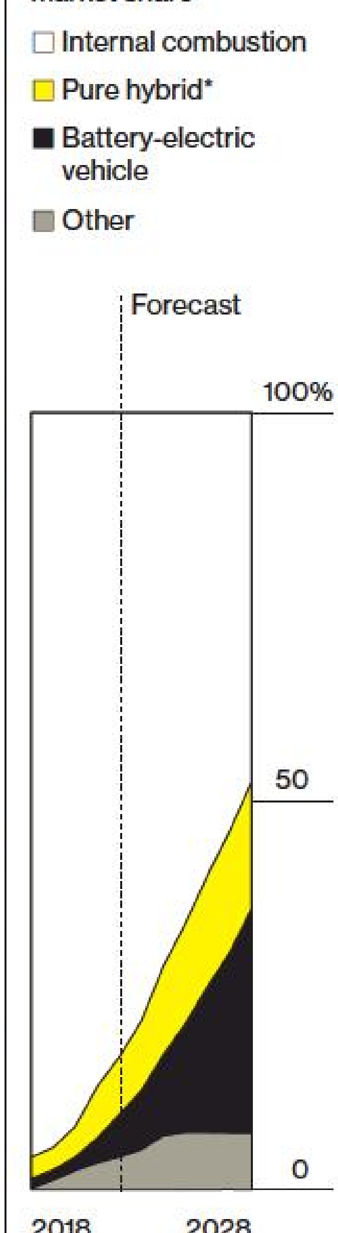
Honda attributes its recent hybrid success to a new dual-motor system that provides a boost to horsepower and fuel economy, unlike its previous generation of single-motor hybrids. Production of the newly fashioned CR-V hybrid started almost a year ago, and the new Accord hybrid hit the road in January. Diallo says that a hybrid version of the Civic compact is planned for next year and that gas-electric versions of other models are in the works.

The hybrid surge is not limited to the US. Globally, sales of hybrids are expected to be up 20% this year and grow by 71% over the next five years, GlobalData forecasts. Asia and North America will lead the charge, but Europe, where regulations favor all-electric vehicles, is still expected to see an 11% jump in hybrid sales this year, GlobalData says.

Environmental groups have assailed Toyota for sticking with hybrid technology that still relies on pollution-emitting fossil fuel, but Chairman Akio Toyoda insists that many buyers aren't ready to fully embrace EVs. So Toyota is doubling down on its hybrid offerings, while it also increases spending on EVs to $50 billion and plans to roll out 10 fully electric models by 2026. "Toyota is a department store of all sorts of powertrains," Toyoda told reporters at a dealer meeting in Las Vegas last year. "It's not right for the department store to say, 'This is the product you should buy.'"

Hybrids continue to outsell EVs in the US, with sales approaching 1.4 million vehicles this year, versus almost 1.2 million full electrics, according to GlobalData, which expects hybrids to control 9% of the American car market in 2023, while full electrics command 8%. Americans have been slower to adopt EVs than European and Chinese consumers because of the lack of charging infrastructure as well as the higher price of EVs, even after Tesla Inc. repeatedly cut prices this year. The average price of an EV in the US in August was $59,752, compared with $45,567 for models that run on gasoline, according to researcher Edmunds.com.

▼ US vehicle sales market share



And with car loans currently averaging 7.4%, financing adds about $9,000 in interest over the average 68-month life of a $40,000 loan, according to Edmunds. "There's an element of pragmatism right now, where people aren't opting for all the bells and whistles," says Jessica Caldwell, head of insights at Edmunds, which adds up to slowing sales for vehicles that cost more than $50,000. This pragmatism helps explain why more consumers are turning to hybrids, which are typically priced below a model's comparable all-electric version.

Ford has struggled to keep up with demand for the hybrid version of its small Maverick pickup, which starts at $23,400. The Maverick hybrid accounts for almost 60% of the model's sales; CEO Farley said that "was far beyond our expectations."

That's why Ford sought to erase the price premium on the 2024 F-150 hybrid, which it unveiled at the Detroit Auto Show on Sept. 12 with new styling and features. Ford now expects the hybrid F-150 to account for one-fifth of the sales of the truck, the bestselling vehicle on the US market for the past four decades. That's double the current hybrid take rate, and as production picks up, the company will offer the hybrid F-150 with a starting price of $55,000—the same as an equivalent gas-fueled model. —*Keith Naughton, with Chester Dawson*

THE BOTTOM LINE Hybrid vehicles—a more than quarter-century-old automotive technology—are having a moment thanks to high prices and inadequate charging infrastructure for full EVs.

Taking 'Maybe' Out Of Drug Approvals

● The FDA has new powers to pull medicines that have proved ineffective off the market

The cancer drug Pepaxto got its blessing from US regulators in 2021 based on a single study. The trial had found the intravenous treatment shrank tumors in almost a quarter of 97 bone marrow cancer patients for whom nothing else worked. Despite the small sample, the US Food and Drug Administration gave Pepaxto the green light using an accelerated approval process meant for getting promising medicines to people with few or no other options.

Now the FDA is testing the power of a new law to try to rescind the drug's approval. A follow-up study has since sowed doubt about Pepaxto's efficacy and even suggested it might be dangerous. Although a finding such as that might sound like the death knell for any drug, the agency has struggled to efficiently take fast-tracked treatments off the market.

Over the past three decades, drugmakers have used the shortcut pathway for about 300 different disease applications, mostly for cancer treatments. Most of the medicines later go through the more rigorous study required to stay on the market. But in some cases, pharmaceutical companies drag their feet, and at least one drugmaker refused to take its product off the market. Until recently, regulators lacked a formal process to act quickly.

The FDA's request in July that Pepaxto be withdrawn is its first attempt to use legislation passed last year that, in theory, gives the agency more muscle to force drugmakers' hands. The outcome will show if regulators finally have what they need for proper oversight of drugs sped through the fast-track process or if drugmakers still have the advantage.

"This will be the first time the FDA is implementing their authority" under the new accelerated approval law, says Reshma Ramachandran, a physician at Yale University who studies accelerated approval. If the agency backs down from its threat to take the drug off the market, it will signal to other drug companies that they can successfully fight the process, too, she says. "They'll go to the FDA and say, 'Hey, you let this drug stay on the market based on that. Why can't we?'"

An advisory panel to the FDA last year voted 14-2 against Pepaxto. Oncopeptides AB in Stockholm insists that regulators are interpreting the new data wrong and that its drug does help a subset of patients. "Withdrawal of Pepaxto is premature," it wrote in a 31-page appeal alleging that the FDA made "legal errors" in its attempt to revoke the drug's approval. The outcome of a closed-door hearing held on Oct. 2 will seal the treatment's fate. A spokesperson for the FDA wrote in an email that the decision is "high priority" and that the agency will announce a verdict as soon as practical. ▶

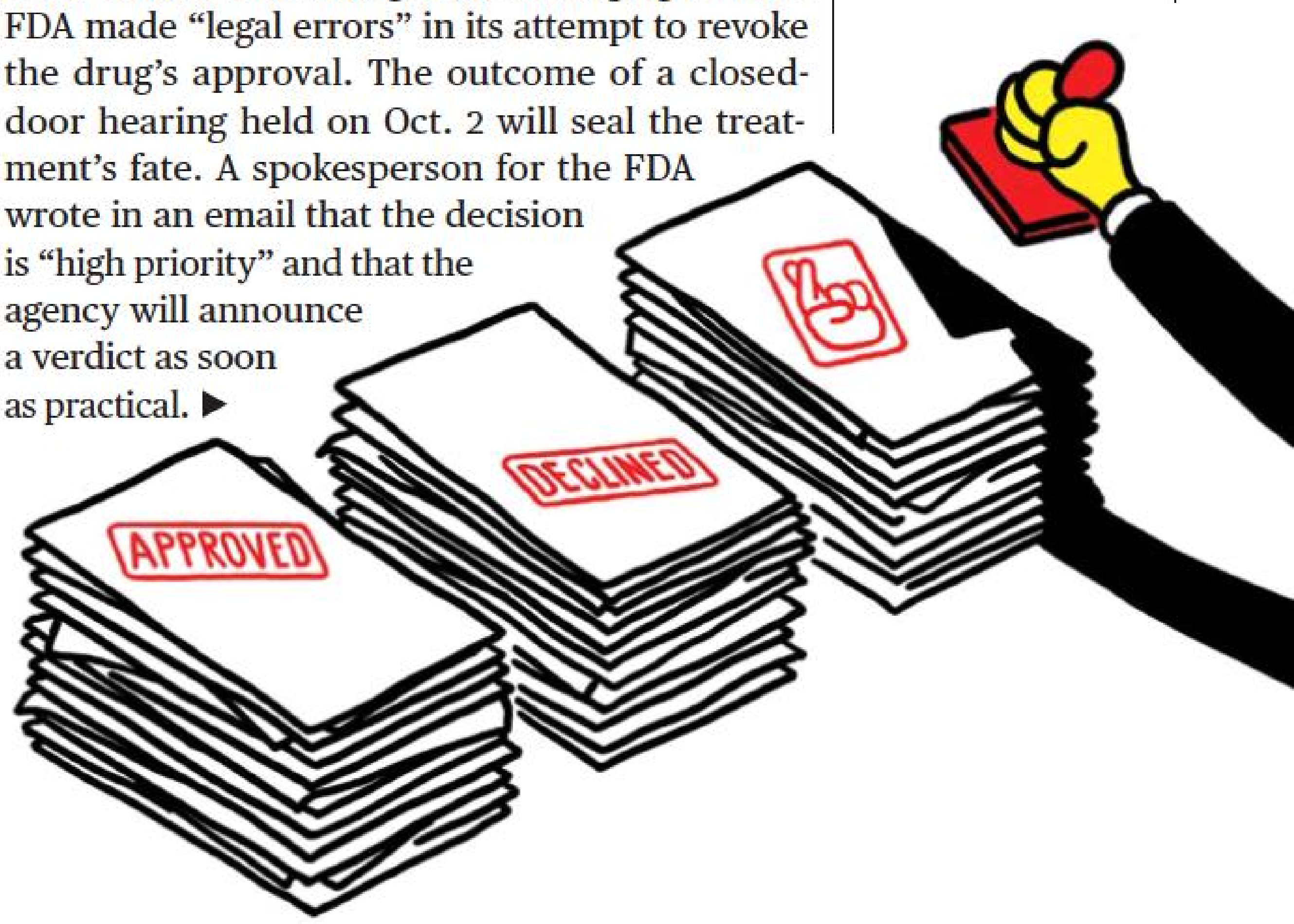


ILLUSTRATION BY MATIJA MEDVED. *INCLUDES FULL HYBRIDS, MILD HYBRIDS AND PLUG-IN HYBRIDS. DATA: GLOBALDATA

◀ The stakes are high for Oncopeptides. Its stock soared to a multiyear high immediately after Pepaxto was approved, but it's since collapsed, losing 95% of its value, after doubts emerged about the drug. The $19,000-a-month medicine for multiple myeloma, a cancer of the bone marrow, is the company's only approved treatment in the US, and it's suspended US sales while its appeal plays out.

"There is no doubt that our drug benefits a large and growing group of elderly patients in later lines of treatment of multiple myeloma…that have few treatment options left," Oncopeptides Chief Science Officer Jakob Lindberg said in an email.

Accelerated approval was pioneered in the 1990s for promising HIV therapies. It's meant to get drugs to patients with incurable diseases if early lab or test results show they're "reasonably likely" to work. The FDA requires follow-up studies to collect more data, and if regulators aren't satisfied, they can take action. But in practice, the program historically "had fly-by-the-seat-of-the-pants standards," says Ravi Parikh, an oncologist at the University of Pennsylvania. "There wasn't really that much enforcement."

Delays for confirmatory trials aren't uncommon. A Bloomberg News investigation found 19 drugs with accelerated approvals whose follow-up studies were still listed as delayed as of April.

A study published in *JAMA Oncology* found that from 2016 to 2022, more than a quarter of patients with certain types of advanced stomach, breast, lung, liver and bladder cancer used accelerated-approval drugs that were later shown to be ineffective for those specific uses. Some patients may have been exposed to side effects for no benefit. The study included popular immunotherapy drugs from Bristol-Myers Squibb, Merck & Co. and Roche Holding, which are still on the market for uses that received conventional approvals.

Some unproven medicines have retained their FDA approval for even decades. A burn treatment called Sulfamylon powder was available for 25 years, even though its maker, Mylan, now part of Viatris Inc., never completed the required trials to prove the drug worked. It was only pulled from the market after Mylan agreed to do so in 2021, telling the FDA further study was no longer feasible.

In fact, most withdrawals are voluntary, often after prodding from the FDA. Of the 11 drugs with accelerated approvals that have been rescinded in the past two years, drugmakers willingly pulled all but one. It's when the companies push back that regulators run into issues. Makena, a medication for preventing preterm labor, got its accelerated approval in 2011. Eight years later, a big study done by the drugmaker indicated it didn't work. By 2020 the drug had a new owner, and its maker at the time, Covis Pharma Group, fought to keep it available. The FDA finally recalled the product and its generics in April of this year.

The new law gives regulators a road map for expedited removals, though it doesn't specify a timeline: The FDA must provide an explanation to the company for why it's pulling the drug and allow the public to comment. If the agency hasn't already done so, drugmakers can request the matter be heard by a public advisory panel, and drugmakers can appeal the decision to the FDA commissioner, as Oncopeptides is doing now. Separately, the law also gives regulators the power to require that follow-up trials are underway at the time of a drug's approval.

To its credit, Oncopeptides did complete a larger trial only five months after Pepaxto's US approval. The study found patients taking the drug died a median of five months sooner than those in a control group, leading the FDA to warn of "an increased risk of death." Although worrisome, that finding was not statistically significant.

After agreeing in October 2021 to formally withdraw the drug, Oncopeptides changed its mind in early 2022 after further review of the trial data suggested it safely worked for a subset of patients. This analysis apparently swayed European regulators, who approved the treatment for those people in August 2022, making it authorized for use in the European Union. Back in the US, though, a panel of FDA advisers in September 2022 decided the benefits didn't outweigh the risks. In July, following passage of the new law, the agency formally asked the company to withdraw its drug in the US.

Oncopeptides blames the negative vote last year on a "skewed voting question," the wording of which, it says, suggested the drug was unsafe. Arguing that the process was undermined appears to be the drugmaker's last chance to keep its offering on the market. The FDA's decision after the Oct. 2 hearing will be final.

Among myeloma doctors, opinions are split. "We need all the options to serve the various populations affected," says Paul Richardson of the Dana-Farber Cancer Institute. He's consulted for Oncopeptides and says the FDA should allow the company to resume trials to prove the drug works.

But Aaron Goodman, a hematologist at the University of California at San Diego, argues that the drug has never proved to be any better than cheap decades-old chemotherapy. "It needs to go," he says. *—Robert Langreth and Fiona Rutherford*

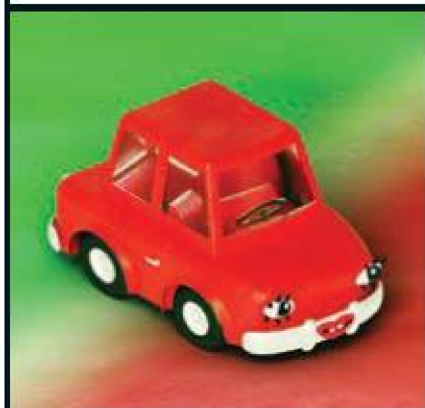
THE BOTTOM LINE About 300 drug applications have been given accelerated approval by the FDA. The agency requires follow-up studies of the medicines, but critics say enforcement has been lax.

More than a quarter of patients with some cancers used fast-tracked drugs later found to be ineffective

Stocks

10 Companies to Watch

AutoNation Inc.



As a retailer of both new and used cars, AutoNation is well positioned to capture profit as the market shifts between the two. The strike in Detroit will likely firm up pricing of new vehicles. —*Kevin Tynan*

Market value	$6.6b
Sales, last 12 months	$26.5b
2023 revenue growth	2%

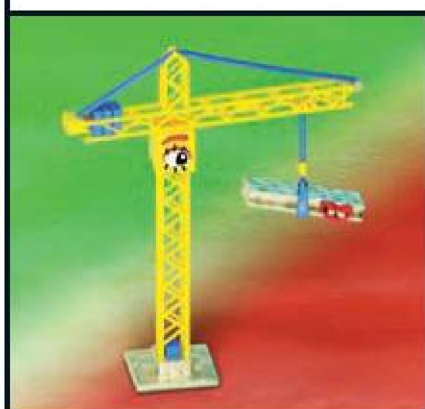
Budweiser Brewing Co. APAC



The beer giant's Asia business is positioned to beat the consensus estimate for its profit margin by more than 2 percentage points in 2023-24, benefiting from rising demand in bars and restaurants. —*Ada Li*

Market value	$27.3b
Sales, last 12 months	$7.2b
2023 revenue growth	9%

China Resources Land Ltd.



Defying concerns about the Chinese property market, CR Land's "contracted sales" will grow 20% this year, about double consensus, as the company taps into its large land bank. —*Patrick Wong*

Market value	$28.5b
Sales, last 12 months	$31.6b
Expected 2023 revenue growth	10%

Enagás SA



Deteriorating cash flow is putting the Spanish natural gas utility's credit quality in jeopardy as it increases hydrogen-related investments, which together risk triggering a dividend cut. —*Patricio Alvarez*

Market value	$4.4b
Sales, last 12 months	$1b
2023 revenue growth	-5%

Futu Holdings Ltd.



The Hong Kong-based online broker is reaping rewards from rising interest rates and new accounts in China and elsewhere. BI expects profit to jump almost 60% in 2023. —*Sharnie Wong*

Market value	$8.2b
Sales, last 12 months	$1.2b
2023 revenue growth	11%

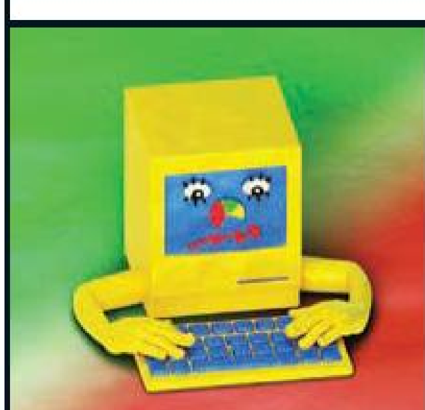
Keurig Dr Pepper Inc.



With its iconic coffee and sodas, Keurig is poised to deliver a positive surprise. Turmoil related to the pandemic reopening is easing, and the consensus looks 10% too low on earnings through 2024. —*Ken Shea*

Market value	$46.2b
Sales, last 12 months	$14.9b
2023 revenue growth	5%

Pegasystems Inc.



The provider of customer relationship management software is appealing a $2 billion jury award for alleged theft of trade secrets. BI analysis suggests the award could be reversed. —*Tamlin Bason*

Market value	$3.5b
Sales, last 12 months	$1.4b
2023 revenue growth	10%

Société Générale SA



A decision by the French bank to boost its capital buffer means its dividends and stock buybacks will likely undershoot consensus. This is compounded by weak results from its investment bank. —*Philip Richards*

Market value	$20.1b
Sales, last 12 months	$27.7b
2023 revenue growth	5%

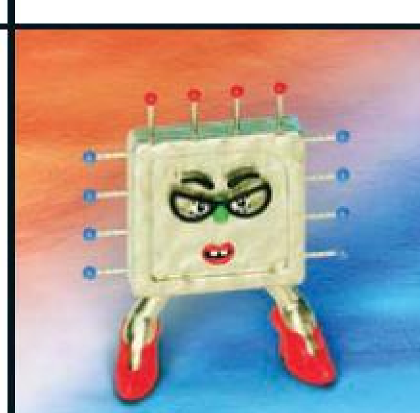
Telia Co.



The Nordic telecom provider's cash flow is likely to miss expectations, which risks a resetting of its generous dividend payout as debt levels are already high. —*Tom Ward*

Market value	$8.2b
Sales, last 12 months	$8.4b
2023 revenue growth	0%

VAT Group AG



The Swiss producer of specialized high-vacuum valves integral to semiconductor manufacturing is a beneficiary of the chip cycle being fueled by the growing needs of AI and cloud computing. —*Omid Vaziri*

Market value	$10.5b
Sales, last 12 months	$1b
2023 revenue growth	16%

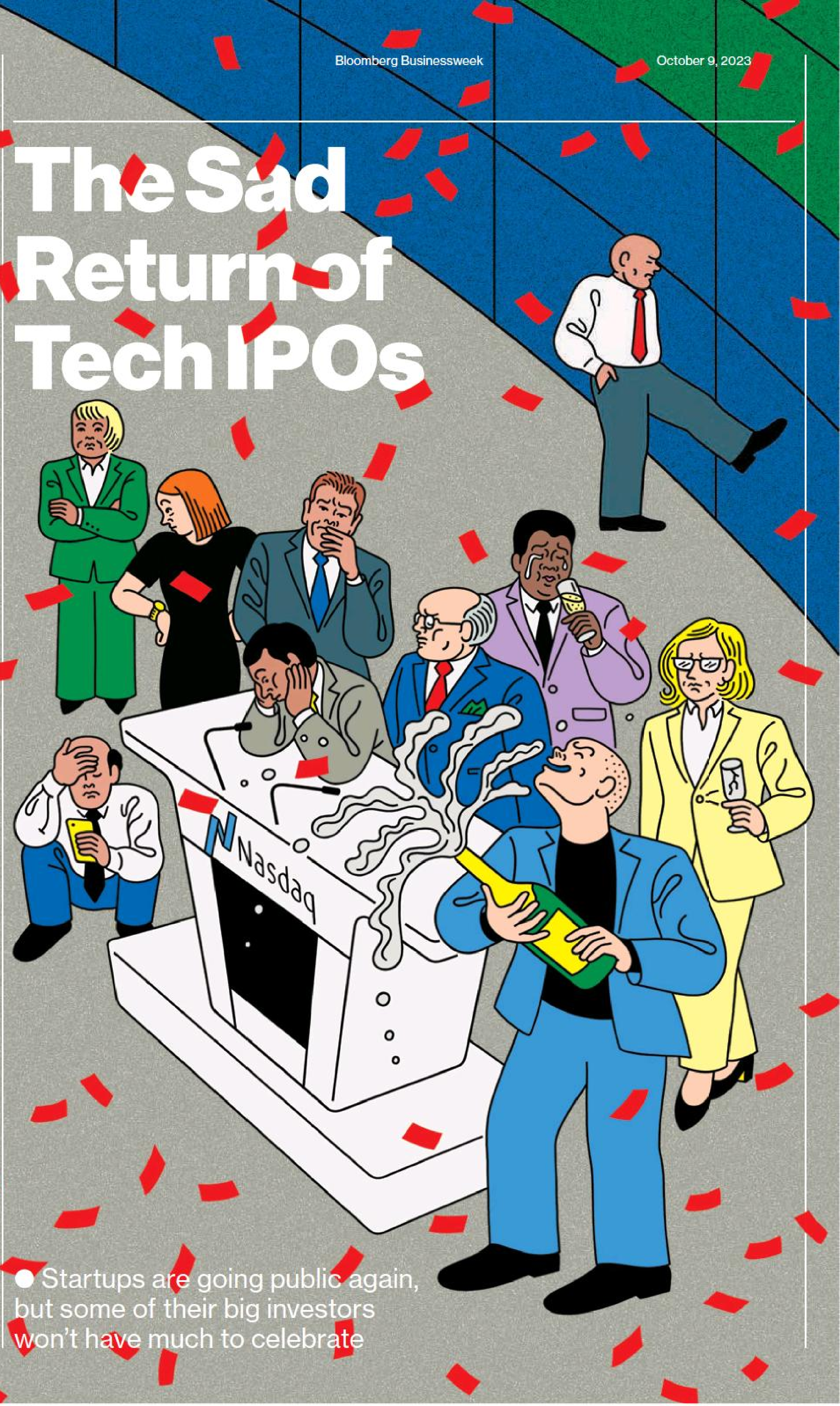
Market value as of Sept. 29. Revenue growth according to consensus expectations.

ILLUSTRATIONS BY CHRISTA JARROLD

2

TECHNOLOGY

The Sad Return of Tech IPOs



● Startups are going public again, but some of their big investors won't have much to celebrate

Edited by Joshua Brustein

On the day Instacart held its initial public offering in September, the company's market value was just a quarter of the $39 billion price tag investors had put on it in March 2021, when it was a privately held startup. Still, Sequoia Capital, which first invested in the company in 2013, held a stake worth more than $1 billion at the time of the IPO.

Not all the investors were as fortunate.

Several large firms could see big losses from their bets on the company, including Fidelity Investments and T. Rowe Price, which put money into the startup near its highs. All those companies invested when Instacart was worth $13 billion or more, according to PitchBook data, meaning those bets had lost at least one-third of their value by the time of the IPO. Instacart made its debut with a market capitalization of about $10 billion, then slipped significantly in subsequent trading days.

Three IPOs in late September–Instacart, Arm Holdings Plc and Klaviyo Inc.–represented an end to the driest stretch of public offerings in 32 years. Many observers now expect more startups to have public offerings this year and even more in 2024 if the market continues to recover after big losses in 2022. Investors will be especially eager for giants such as Stripe Inc., one of the largest startups in the US by valuation, to make their long-awaited debuts.

The traditional finish line for venture capitalists is a massive IPO. As market debuts become more common again, the deals will indeed be fantastically lucrative for investors who made early bets on startups that grew to billion-dollar organizations. But the public offerings of companies with fluctuating private market valuations, such as Stripe, Klarna Bank AB and Ramp, could disappoint some key backers. The firms that made their bets on mature companies whose valuations were soaring during the recent startup boom are in the most precarious position.

Nontraditional startup investors such as mutual funds, hedge funds and sovereign wealth funds had also been pouring money into startups. "During the investing exuberance of the Covid era, when the markets were seemingly uncapped, the two skills began to be seen as interchangeable," says Index Ventures partner Nina Achadjian, referring to early- and late-stage investing. She predicts that tumbling valuations will lead firms to return to specializing in companies at specific stages of development.

In 2021 the late-stage startups in the top 10% were each worth $767 million or more, according to PitchBook. By the middle of this year, that threshold sank to $332 million. The terms of funding deals, too, were unfavorable to VCs during the market highs. Late-stage investors were so eager to get into deals that they regularly dropped traditional provisions to protect themselves, such as requirements that companies make up the difference if their IPO valuations drop below those of the last private funding round.

These problems will all become freshly relevant as the IPO market gradually reopens. Stripe, like Instacart, also has a lower valuation now than it once did. Investors including Coatue, Fidelity, Silver Lake and the Irish Treasury's Ireland Strategic Investment Fund invested in the company for the first time in 2021, when it was valued at $95 billion, according to PitchBook data. In a funding round in March of this year, the company cut its valuation to just $50 billion. In an emailed statement, ISIF said it was a "committed long-term investor in Stripe." Other investors in that round either declined to comment or didn't respond to queries.

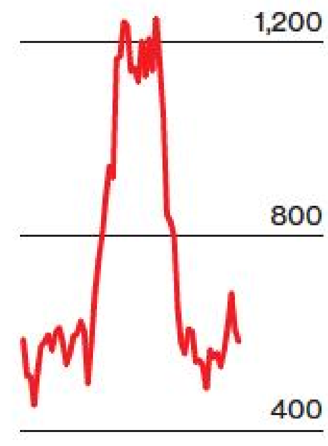
Another large startup expected to go public when the appetite for financial listings improves is the payments service company Klarna. In a funding round in 2020, new investors including Singapore's GIC, Silver Lake and TCV gave Klarna a valuation of about $10 billion. The following March the company raised $1 billion at a $31 billion valuation, then $639 million more in June, at a $45.6 billion valuation in a round led by SoftBank Group Corp. However, in a funding round last year, its valuation fell to just $6.7 billion–meaning those investors would take steep losses if the startup were to go public at that price. The investors did not comment on the valuation decline.

Financial technology company Ramp could also pose a problem for late-stage investors. Last year the software startup raised $198 million at a valuation of $8.1 billion, with new investors including General Catalyst and Microsoft Corp. Chief Executive Officer Satya Nadella, according to PitchBook. All those investors lost out, at least on paper, when the company announced its latest investment round of $300 million at a $5.8 billion valuation, a drop of $2.3 billion. A spokesman for Nadella declined to comment.

Some early-stage venture firms are likely to celebrate the downturn in late-stage investing and what it means for competition in the startup investing world. For years longtime VCs have fretted about nontraditional investors rushing into Silicon Valley, driving up startup valuations and edging out VCs on their own turf.

Yet even many veteran VCs are getting burned. The promised returns and lengthy IPO delays during the pandemic enticed many firms, including Sequoia, to make later-stage bets themselves. At Sequoia, the late-stage fund that provided the ▶

▼ FTSE Renaissance US IPO Index, a measure of IPO activity and performance



"All you need is another boom, and amnesia will set in"

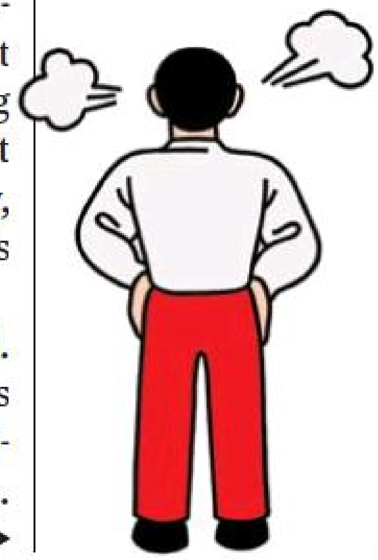


ILLUSTRATION BY TOMI UM. DATA: COMPILED BY BLOOMBERG

◀ bulk of its $50 million Instacart investment in March 2021 is likely to show losses on that bet. (The firm did well anyway, because it invested $300 million in Instacart overall, most of it years earlier.)

Now that valuations have stabilized at less heady levels, have investors learned their lesson? Hard to say. In an ideal world, companies would list or find an acquirer once they have revenue in the hundreds of millions of dollars and can demonstrate steady growth. That would remove the complications that come with ownership by dozens of entities, all with different expectations, not to mention the fear of missing out that pushes private-market prices higher.

Even if disappointing listing prices drive firms to be more prudent, it's not clear the habits will stick. "All you need is another boom, and amnesia will set in, and the mistakes get repeated again," says Aswath Damodaran, a professor at New York University's Stern School of Business. "I am not sure it is a bad thing, to be honest. It is part and parcel of having a financial market." —*Sarah McBride and Katie Roof*

THE BOTTOM LINE Investors who bought into buzzy tech startups at the height of the boom stand to lose out when the companies go public at more modest valuations.

Hacking the Help Desk

● The group believed to be behind recent attacks on casinos excels at so-called social engineering, the term of art for tricking IT call center workers into unwittingly aiding them

In many ways it was an unremarkable conversation. An employee working for an IT help desk took a call, introduced himself and asked, "Is this regarding a new or existing ticket?" The caller, who sounded like an American in his early 20s, explained that he was having trouble signing into his account: "I don't know how to reset my password, so I was just calling to get a password reset today." The caller provided his name, and it matched an employee on staff.

"The account should be fine," the caller added. "I mean, I haven't locked it—it's just the password issue."

"Got you," the help desk employee responded. "Yeah, I can reset it for you."

With that, the employee had unwittingly been duped by a member of Scattered Spider, a notorious hacking gang believed to be behind recent attacks at MGM Resorts International, Caesars Entertainment, Coinbase and others. (The details of the call were shared by a person familiar with the incident who asked not to be named while discussing confidential matters.) The group, which some security experts also refer to as UNC3944, excels at "social engineering"—the term of art for tricking someone into providing information that can be used for illicit means, such as breaking into a computer network. At a time when nations and major corporations are fighting off highly sophisticated attacks, Scattered Spider's success has shown that rudimentary methods remain effective and hard to defend against.

The help desk call fits a pattern observed by Charles Carmakal, chief technology officer at the cybersecurity company Mandiant. Carmakal says he's listened to more than a hundred audio recordings of Scattered Spider hackers trying to con customer service representatives and IT workers with deceptive phone calls. Some of the hackers are "very aggressive," he says, and make the call center employee "feel like they're going to get fired or get in trouble."

Once the hackers get a foothold, they often spend "significant time" searching through documents, resources and internal chat logs to find ways to escalate privileges and remain within the victim's network, according to Mandiant.

"It's young, articulate males. Quick to respond, witty even"

Scattered Spider emerged in 2022, and cybersecurity company Crowdstrike Holdings Inc. has attributed at least 52 cyberattacks to the group since then. Its members are believed to be in the US and UK, some as young as 19 years old. Jeff Lunglhofer, chief information security officer at Coinbase Global Inc., says he's encountered hackers who he suspects are Scattered Spider on several occasions. "It's young, articulate males," he says. "Quick to respond, witty even."

Lunglhofer detailed how hackers suspected to be Scattered Spider sent text messages to the

COURTESY JASON PUGLISI

personal phones of a dozen Coinbase employees, supplying them with a phony link to the company's portal and urging them to log in to receive an important corporate message. One employee followed the instructions, inadvertently providing the hackers with a username and password. The hackers couldn't get into the employee's account because Coinbase requires multifactor authentication. Undeterred, one hacker called the employee shortly thereafter. Claiming to be an IT staffer, the hacker persuaded the person to provide some colleagues' contact details.

No funds were lost, and no customer information was compromised by the attack, the company says. Still, it was a cautionary tale, as Lunglhofer noted in a Feb. 17 blog post: "If you think you can't be fooled by a well executed social engineering campaign–you are kidding yourself."

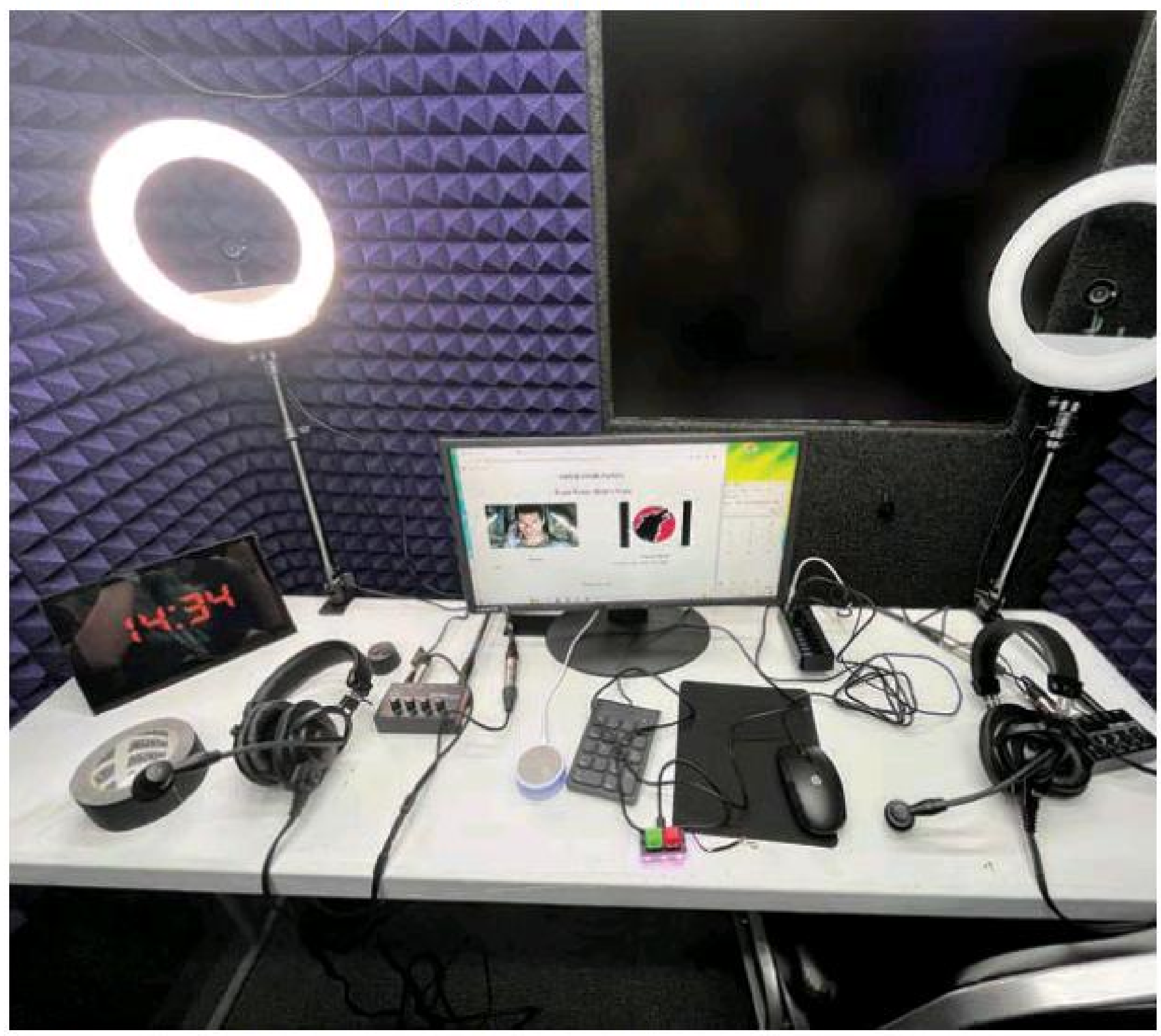
At the annual Def Con hacking conference, a contest is now held where hacking experts judge competing teams' social engineering prowess as they sit in a soundproof box and race to break into a company. The competitors are told their target–this year it was a well-known pizza franchise–and given two months to do research, including finding phone numbers and details about the company's technology systems. Sponsored by IBM Corp. and California-based security company Proofpoint Inc., the contest has strict rules around ethics, including not naming the target publicly. Using threatening language and extracting personally identifiable information from employees are also banned.

At this year's contest, Jason Puglisi, a 26-year-old application security engineer at Block Inc., walked into the sound booth with an iPad loaded with a 50-page report on the target company. He picked up points by pretending to be an IT worker and persuading receptionists to tell him what time the security guards' shifts were, how they replaced security badges and what technology the offices used. "Everyone is vulnerable. It really just takes catching someone in the right mindset or if they are stressed," he says.

Sometimes Puglisi had to deviate from the script, like when the person he reached said they were just filling in and probably couldn't help him. "When I told them they could help me just as well, they were flattered and shared everything I asked for," he says. He won the contest after coming in second in 2022.

Companies and organizations aren't defenseless against social engineering. David Bradbury, chief security officer at Okta Inc., whose customers have been targeted in attacks believed to be from Scattered Spider, suggests that call centers limit the authority to reset passwords or multifactor authentication for highly privileged accounts to a few trusted employees. Coinbase's Lunglhofer says his company now requires employees to log in with a small USB-type security device that provides additional authentication.

Another way for companies to protect themselves is to penetration-test their own systems. Scott Melnick, who leads the security research and development department at Bulletproof, owned by Gaming Labs International LLC, has advised casinos and gaming companies on cybersecurity and software development for years. Last summer he managed to break into the computer network that ran a casino's cash cage, where customers collect their winnings. Another time he noticed an Ethernet port behind a cashier counter on a casino floor and plugged in when no one was looking. Hackers could have used such access to install a miniature device that allows remote access to the network, Melnick says. He was eventually outed by a suspicious cashier. (He recommended her for a promotion in his report.)



▲ A soundproof phone booth for contestants at the Def Con conference

Melnick says that getting employees to be vigilant about security is important and that companies should get outsiders to test their defenses–and keep workers on their toes. "When the employees know this is happening, it makes them extra skeptical of every call," he says. —*Margi Murphy, with Katrina Manson*

THE BOTTOM LINE Cybersecurity breaches periodically start with a hacker calling a well-meaning customer service rep or IT worker and tricking them into revealing sensitive information.

Searching for the iPhone of AI

● Tech companies are exploring new forms of AI-native hardware devices

A consensus seems to be emerging across the tech world: More than 15 years after the introduction of the iPhone, ChatGPT and other generative artificial intelligence services may give rise to a new kind of hardware device and an entirely different type of interaction between humans and computers.

On Sept. 27 at Meta Platform Inc.'s headquarters in Menlo Park, California, Chief Executive Officer Mark Zuckerberg unveiled not only an update to the company's Quest virtual reality goggles but also a new version of its smart glasses, which it developed with the Ray-Ban division of Luxottica Group SpA. The $299 spectacles have speakers, microphones and a camera, and they can livestream video and make phone calls. They will also let users ask Meta's Llama AI assistant to do things such as translate signs or guide them through home repair projects.

The first version of the glasses, dubbed Ray-Ban Stories and released in 2021, sold poorly. But Meta (along with Amazon.com Inc., which also released new versions of its Alexa-powered Echo Frames) is now reframing (sorry) the product around generative AI. "Before this last year's AI breakthroughs, I kind of thought that smart glasses were only really going to become ubiquitous once we dialed in the holograms and the displays and all that stuff," Zuckerberg said during the rollout. "Now I think that the AI part of this is going to be just as important in smart glasses being widely adopted as any of the other augmented-reality features."

A day later, several publications reported that OpenAI, the company behind ChatGPT, is engaged in talks with LoveFrom, the industrial design company founded by former Apple Inc. hardware wizard Jony Ive, about how to build "the iPhone of artificial intelligence." There were few details, other than that Masayoshi Son, the chairman and CEO of SoftBank Group Corp., is ready to invest $1 billion into the venture and that Ive is demoralized by the addictive elements of smartphones and wants to use AI to find an alternative.

Two of Ive's former colleagues have revealed a bit more about how such AI-powered devices might work. Humane, a startup in San Francisco founded by ex-Apple designer Imran Chaudhri and ex-Apple engineer Bethany Bongiorno, demonstrated its wearable "disappearing computer" at the TED Conference in May. In the video of the talk on YouTube, a screenless, badgelike device with a camera and speaker attached to Chaudhri's shirt translates his voice into French, takes a phone call, emits text onto his hand with a laser projector and advises him not to eat a candy bar given his dietary restrictions. "For the human-tech relationship to actually evolve beyond screens, we need something radically different," Chaudhri says.

The company has raised $230 million from the likes of Microsoft Corp. and OpenAI CEO Sam Altman and presumably will use a version of ChatGPT. It says it will start selling the device, dubbed the Humane Ai Pin, on Nov. 9. On Sept. 29, model Naomi Campbell wore a prototype at Paris Fashion Week.

Silicon Valley has been trying to move past the iPhone era for a while, part of its never-ending scrum to grab the high ground in whatever new computing paradigm lurks over the horizon. While the jury is out on augmented and virtual reality—and Apple's Vision Pro isn't due until early next year—initial results don't seem to promise an entirely new age of computing.

Amazon's Echo speaker, released in 2014, was one of the first attempts to use conversational AI to peel our eyes off our screens. But it was too difficult to access third-party apps such as games and never displaced the smartphone in part because we're simply accustomed to looking at displays and pointing, clicking and typing to enter information. That resilient paradigm was established in the 1970s with the first personal computers and a human-computer interface that Steve Jobs borrowed from Xerox PARC.

But with global smartphone shipments falling 20% since 2021, according to Counterpoint Research, there's plenty of momentum right now behind the bid to position generative AI as the next new thing. "With many [puzzle pieces] dropping recently, a more complete picture is emerging of LLMs [large language models] not as a chatbot, but the kernel process of a new Operating System," wrote Andrej Karpathy, an executive at OpenAI who also briefly worked as director of AI at Tesla Inc., in a post on X, formerly known as Twitter. "Looking at LLMs as chatbots is the same as looking at early computers as calculators. We're seeing an emergence of a whole new computing paradigm, and it is very early." —*Brad Stone*

THE BOTTOM LINE Silicon Valley companies are competing to develop devices that anticipate the ways that AI will change human-computer interactions.

▼ Campbell with a Humane Ai Pin prototype on her lapel at Paris Fashion Week



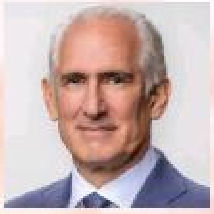
FRANCOIS DURAND/GETTY IMAGES

APEC CEO SUMMIT USA 2023 | Creating Economic Opportunity

Sustainability. Inclusion. Resilience. Innovation.

Join us for the APEC CEO Summit 2023, the most influential meeting of business and government leaders in the Asia-Pacific.

Summit co-chairs:



Kevin Ali
CEO,
Organon



Mary T. Barra
CEO,
General Motors



Alfred F. Kelly, Jr
Executive Chairman,
Visa

November 14-16, 2023 at Moscone Center West in San Francisco

Topics for discussion:

Sustainability: Greening economies through circularity, resource efficiency and the clean energy transition

Inclusion: Expanding opportunities for entrepreneurs, small businesses, and underrepresented communities

Resilience: Strengthening regional connectivity and preparing economies for future shocks

Innovation: Leveraging technology-driven transformations to promote prosperity in the Asia-Pacific

Don't miss your chance to be part of this conversation. To request an invitation today, visit **apecceosummit2023.com**

Knowledge Partner
pwc

Platinum Sponsors
amazon, Boeing, Chevron, citi, ExxonMobil, FedEx, gm, Google, Johnson & Johnson, Mastercard, Merck, Meta, Microsoft, Moody's, Organon, Pfizer, Qualcomm, Uber, UPS, VISA

Gold Sponsors
Freeport-McMoRan, Kinhbac City, P&G, Walmart, Western Digital

Premier Media Partners
Bloomberg Media, FORTUNE

Platinum Media Partners
BBC, 财新 Caixin, Scripps News

Gold Media Partners
bnamericas, FT Financial Times, Foreign Affairs, The Wall Street Journal | Barron's Group, TIME

Local Media Partner
San Francisco Chronicle

Can AI Beat The Market?



● Hedge funds seeking to build the perfect money machine are finding it's harder than they'd expected

Voleon Group boasts some of the best minds in data science. The hedge fund's co-founder and chief executive officer is a former nuclear physicist and web pioneer. Its head office is in Berkeley, California, strategically placed near a world-class machine-learning center where it has access to the latest advances in artificial intelligence.

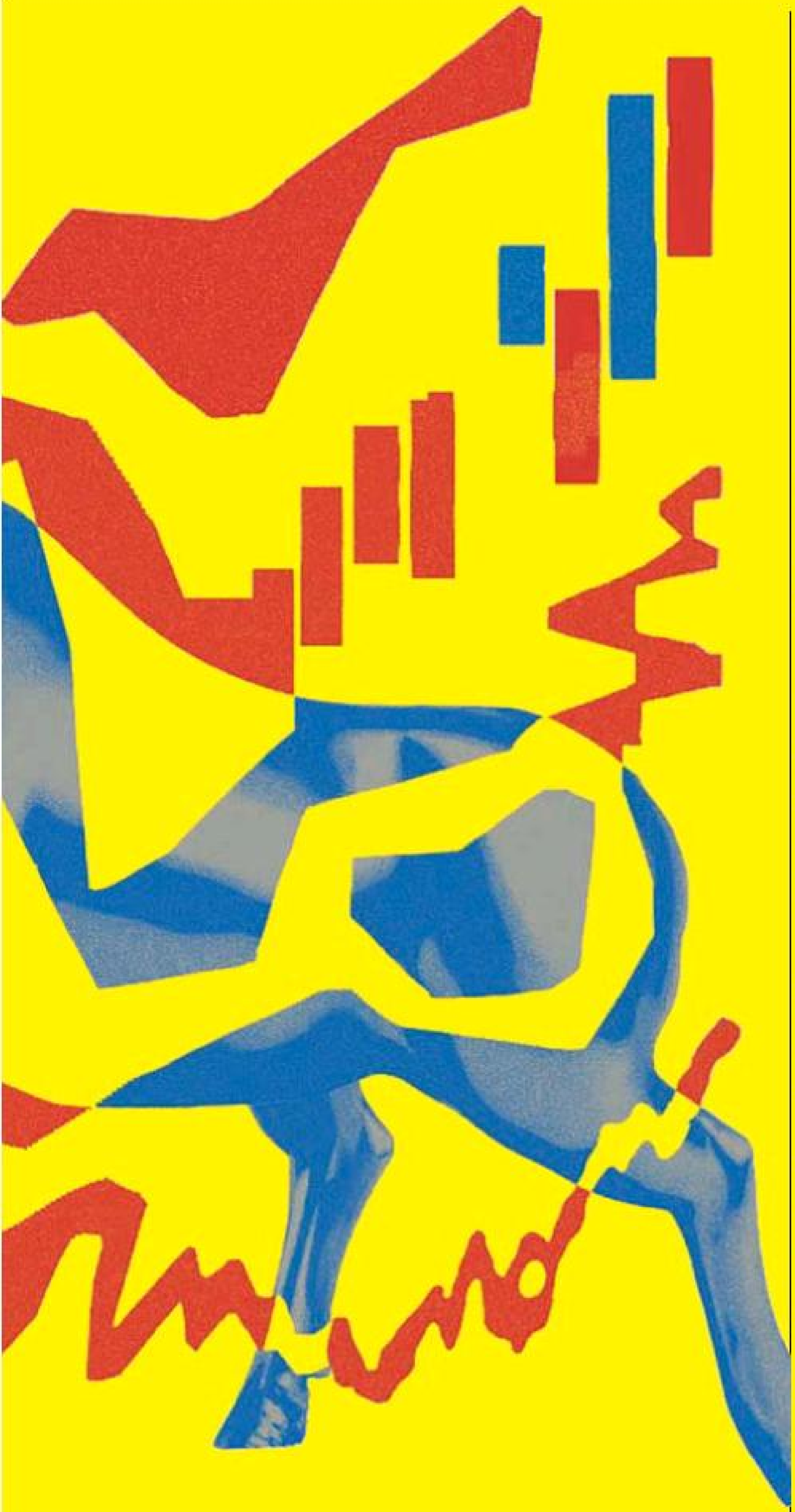
The firm, with some $5 billion in assets under management, is one of a growing number of funds dedicated to creating the ultimate money machine—AI that can teach itself to beat the market. With the technology threatening to disrupt Hollywood, health care and countless other sectors, sparking this year's defiant stock rally in the process, Voleon's boss says it's inevitable someone will reach that goal. "In one domain after another, this approach just proves to be more fruitful," says Michael Kharitonov, a veteran of the CERN nuclear research lab in Geneva. "Finance has its own unique challenges, but over time they can be overcome."

So far that hasn't happened. The irony of investors' piling into AI is that the technology has for years struggled to crack the actual business of investing. Machines get bamboozled by noisy markets and can be caught off guard by fickle trends, and finance—surprisingly—sometimes lacks the oceans of data that underpin the technology in other domains. A Eurekahedge index of 12 funds using AI has trailed its broader hedge fund index by about 14 percentage points over the past five years. According to Plexus Investments, an asset manager that tracks the returns of boutique AI funds, only 45% outperform the benchmarks they measure themselves against.

While that may seem disappointing to anyone

ILLUSTRATION BY SAIMAN CHOW. DATA: COMPILED BY BLOOMBERG

Edited by David Rocks



watching AI upend other fields, it's comparable to the average performance of human stockpickers. "Today, AI and machine learning can already compete with traditional fund managers," says Andreas Vogel, a senior analyst at Plexus. In other words, you don't need to hire expensive portfolio managers when a computer can give you similar results.

AI advocates say they're not striving for market-thumping returns, just a slight edge—which on Wall Street can mint billions. Call it *Moneyball* for the markets, where they're looking to consistently get on base, not swing for the fences. "In finance you can be very successful by just being a little bit better than 50%," Kharitonov says.

Hopes rest largely on machine learning, the subfield of AI where computers are trained on massive amounts of data to perform specific tasks. Generative AI—the power behind ChatGPT—is one strand of this. Practitioners use machine learning to do everything from perusing social media as a gauge of sentiment around a stock to monitoring market patterns to decide when to execute a trade.

The promise has made Jason Hsu a convert. Hsu was an old-school quant—a "quantitative investor," money managers who use computers to crunch piles of numbers and then pick securities. Like most quants, he believed in a handful of simple investing rules developed over decades by academics studying the behavior of markets and picking stocks based on characteristics such as their valuation or size. In 2002, Hsu co-founded Research Affiliates, which now manages about $130 billion in assets.

With the backing of the firm, Hsu founded a company in 2016 called Rayliant Global Advisors, and he soon underwent an AI epiphany. His team showed him hypothetical results of an investing strategy designed by machines, and now most of the firm's funds are run by an algorithm called eXtreme Gradient Boosting. The manager of about $17 billion parses some 200 signals, identifying complex relationships to make buy or sell decisions. "It took us a while to convince ourselves," Hsu says. "Then we finally got to a place where we said, 'We see the value. We get the benefits.'"

By Silicon Valley standards, Rayliant's methods are almost old-fashioned. Yet they're a big leap for a money manager who started out picking stocks based on just six criteria, and a good illustration of the way AI promises to revolutionize investing: not dramatic, just a series of tweaks and enhancements bearing impenetrable names like "support vector machines" or "long short-term memory." Many applications of AI in investing look like this—taking traditional quant thinking and supercharging it. So where an old approach might've used an algorithm that says to "buy stocks with the lowest price-to-book ratio in the market," AI could figure out that doing so works only in certain industries and when earnings growth is also positive.

That's a huge oversimplification, and there are big hurdles, not least that market trends and investor behavior might hold for months or even years but do a U-turn in an instant, making whatever the machine has learned suddenly irrelevant. That's why, when Covid-19 struck, Voleon was among the many funds that faltered. Rayliant was just deploying its new AI strategies when the old value stocks it used to favor surged post-pandemic. "Out of the gate it was horrible," Hsu says.

While almost all quants experiment with machine learning, Voleon is one of just a handful of firms using a technique called deep learning, which ▶

▼ Change in Eurekahedge hedge fund indexes since August 2018



◀ mimics the human brain, creating networks with countless connections that can spot subtle patterns in massive data sets. It's how ChatGPT figured out how to read, Siri learned to listen and cars are teaching themselves to drive. "Markets can be completely random occasionally, and during those times nothing will work–not AI, not machine learning," says Renee Yao, founder of Neo Ivy Capital, a New York firm that uses deep learning. "However, during the time when it's not completely random, I think AI works better" than other investing styles.

Voleon's longest-running fund has averaged an annual return of about 9.5% since inception, says a person familiar with the matter, who declined to be identified as the information is private. Neo Ivy, which oversees $200 million, has posted about 7% annually, the person says.

Rather than leaving machines to simply adapt to what they learn, most money managers using AI try to combine new techniques with established theory. AQR Capital Management says it's increasingly using AI to find signals from text and sharpen its long-established strategies. Robeco has added machine learning to funds where it can and has introduced a suite of "next-gen" strategies for where it can't. Vanguard this year added AI to its quant stock strategies to make them more adaptive to markets.

At Man Group, the world's largest listed hedge fund, the adoption of machine learning has been bumpy. The London-based firm hired a Ph.D. for that purpose in 2009, but the technology didn't make it into client portfolios until 2014. Since then, Man has slowly broadened its use, with AI now figuring out where to route buy and sell orders, turning text into trading signals, writing code and summarizing economic insights. Machine learning can find patterns based on economic models, says Stefan Zohren, principal quant in Man's trading division. "But it can also find many other ones that are potentially not so intuitive," he says, "which is an advantage because obviously fewer people might have found them," though it won't always be clear how reliable the new patterns are.

That hints at one of the last and biggest hurdles to AI adoption: explainability. It turns out human investors generally like to know what's happening with their money. If an AI strategy underperforms and the fund manager can't explain why–because the machine's thinking is unknown–it doesn't go down well. "It's natural," Kharitonov says. "Nobody's asking ChatGPT to explain why it uses certain words." —*Justina Lee*

THE BOTTOM LINE As investors pile into AI, they're discovering that the technology upending so many other fields can't quite crack the actual business of investing.

Financial Advisers Fight for Relevance in the DIY Era

● With interest rates climbing, fewer people see the point in shelling out for investment advice

On a Tuesday evening in Huntington Beach, California, surfers catch waves as the sun sets over the Pacific and rappers Method Man and Redman take the stage. With lights flashing under the palm trees and beats blaring from the speakers, a roar rises from the crowd.

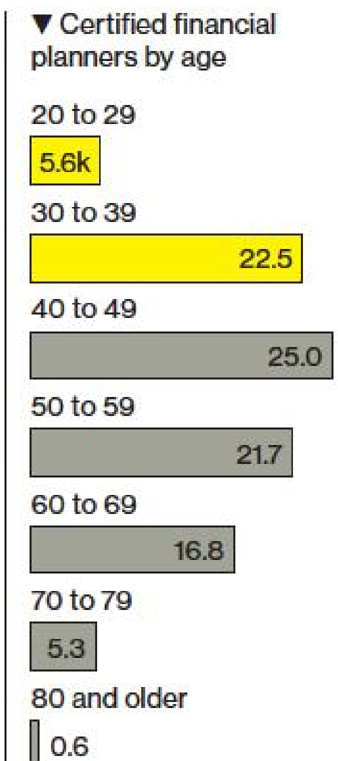
The audience? Financial advisers. No, it's not a *Saturday Night Live* skit. Hundreds of professionals from the traditionally stodgy industry have come to Los Angeles for Future Proof, a conference designed to infuse some buzz into the field.

Financial advisers are in something of an existential crisis. Today's high interest rates mean it isn't hard to get 5% returns from certificates of deposit or even savings accounts. With free investing tips all over social media, young people don't see much reason to pay fees of 1% of their assets annually–or an hourly or monthly rate in some cases–for advice. "Gen Z clients see the advisory firm's value proposition very differently than their parents did," says Bob Veres, publisher of *Inside Information*, an industry newsletter.

About a third of US investors use a financial planner, though for those with more than $1 million in investable assets, the figure jumps to 70%, according to a recent Northwestern Mutual survey. But just 29% of advisers who've taken the courses and tests needed to earn the certified financial planner title are under age 40, and more than 45% are 50 or older, according to the CFP Board, a nonprofit that sets standards for the certification.

That means that for new customers, many planners look and sound a lot like...well, their parents. "There are more advisers planning to retire in the next 10 years than there are young advisers coming in," says Brie Williams, head of practice management at State Street Corp. "There are elements of tech that will help stem this, but at the end of the day, this is a relationship business."

Advisers say it's increasingly difficult to convince potential clients that they need a financial adviser when it's relatively simple to earn a solid return on cash. "We haven't had any competition for 15 years for an easy-button option," a set-it-and-forget-it investment strategy yielding 5% or more, says Sam



PHOTOGRAPH BY SYLVIA JARRUS FOR BLOOMBERG BUSINESSWEEK. DATA: CFP BOARD

Huszczo, founder of SGH Wealth Management in Detroit.

Hospitality industry entrepreneur Cal Simmons, who chairs two groups for Tiger 21, a global network of wealthy investors, can testify to that. The 72-year-old has used advisers for decades and has no plans to stop. But the relationship "just may not be as complicated as it has been in the past," he says, and there may be some negotiation on prices if 5% interest rates stick around. "I see people eschewing their financial adviser's advice and saying, 'I'll go get a Treasury.' You used to really lean on that advice."

Many people turn to a planner only because of a big life event: the birth of a child, a big award of stock options, a coming retirement or an inheritance. Ideally, a planner will create a road map early so clients can meet milestones. But these days, investors starting out can easily find an algorithm at a low-cost robo-adviser that will design a portfolio allocation tied to their age, risk tolerance and goals. Many 401(k)s are automatically invested in target-date funds divvied up among stocks, bonds and other asset classes tailored to an expected retirement date. And the classic 60-40 portfolio split between stocks and bonds many advisers suggest hasn't delivered much more than 5% over the past decade; this year it's below that level.

Future Proof, organized by Josh Brown and Barry Ritholtz of Ritholtz Wealth Management, aims to freshen the 50-year-old industry's image. (Ritholtz hosts Bloomberg's *Masters of Business* podcast and occasionally contributes to *Bloomberg Businessweek*.) The networking sessions include speakers promising to help advisers cater to and understand younger clients, and activities include seaside yoga, sushi-making classes, a virtual surf simulator and a meet-and-greet with NBA legend Robert Horry. Future Proof is more akin to "South by Southwest than a traditional financial adviser conference," Michael Kitces, head of planning strategy at Buckingham Strategic Wealth, wrote on his blog.

During cocktail hour at the Bungalow bar and lounge, attendees mingle among the dark leather couches and vintage surf decor. Outside on the patio, Max Gonda, 23, sticks out as the youngest person at the gathering. He and his colleague Michal Zyla, 26, joined Parkworth Wealth Management Inc., an advisory firm in San Jose, after deciding Wall Street wasn't for them. They're just the kind of people the industry is seeking—young grads considering banking or consulting who want a better work-life balance. "I have hobbies and interests and relationships I want to maintain," Gonda says. Investment banking's "crazy hours wasn't personally the right fit for me."



▲ Huszczo (in red)

Few advisers would agree they're becoming obsolete, noting that today's low-risk/high-return environment has to end sometime. Investing isn't as easy as it looks on TikTok or Instagram, they say, insisting that planners can help think through things like the best way to use a health savings account and how to allocate savings among competing priorities such as 401(k)s, after-tax Roth accounts and 529 college savings plans.

They point out, for example, that while there may not seem to be much difference between a short-term CD and a short-term Treasury at the same yield, income from Treasuries isn't taxed at the state and local level, unlike interest from CDs. That can mean a significant hit in high-tax places such as New York City—something inexperienced investors might not consider. "It's not going to stay this way forever," says Doug Boneparth, president of Bone Fide Wealth. "You can't depend on a 5% rate of return and saving your way to your financial goals."

The need for outside help often becomes most evident later in life, when thorny questions around retirement can't necessarily be addressed via a robo-adviser or a quick internet search. A financial planner's ultimate worth may come less from the returns on investments they recommend than from their helping people avoid mistakes when markets are volatile, as well as the peace of mind that comes from having a bit of control over what can feel like a chaotic financial landscape. "Money at the end of the day is one of the most emotional parts of our lives," says Bill Crager, chief executive officer of financial tech company Envestnet Inc. "People want to feel supported and find support through someone they trust." —*Claire Ballentine and Suzanne Woolley*

THE BOTTOM LINE Just 29% of certified financial planners are under age 40, and more than 45% are 50 or older, making it hard for them to connect with younger clients.

Field Notes From the US F



● New plants bring the promise of jobs and income, but there's apprehension, too

Cars won't start rolling off the assembly line at the "Metaplant" Hyundai Motor Co. is building on 3,000 wooded acres in Bryan County, Georgia, for at least a year. But the $7.6 billion electric-vehicle and battery project a half-hour west of Savannah already has a firm grip on the imagination of nearby residents.

One rumor making the rounds this summer was that Hyundai planned to buy the local golf course to turn it into housing for some of the plant's eventual 8,500 workers–or to give them something to do on their downtime. Meanwhile, developers in the area are itching to turn soybean fields into subdivisions, local real estate agents say, though they're stymied for the time by inadequate water and sewer lines.

In nearby Pembroke, which has a population of only 2,600, Shannon Thurston says he's been seeing new faces at Taco Depot, the Mexican restaurant he and his wife run; he assumes they are Korean executives Hyundai has dispatched to oversee the project. "Several of what I believe to be upper management eat here now," Thurston says. "I've gotta work on my Korean, for sure."

Across the US, spending on the construction of

GEORGIA: STEPHEN B. MORTON/BLOOMBERG. OHIO: MADDIE MCGARVEY/BLOOMBERG. DATA: COMPILED BY BLOOMBERG

Edited by Cristina Lindblad

actory Boom



manufacturing facilities reached $198 billion on an annualized basis in August, an almost 66% increase from the previous year and the highest level since the Bureau of Economic Analysis began tracking the data in the 1950s.

The flurry of activity is being fueled by a pair of laws Congress approved last year that together offer hundreds of billions of dollars in subsidies, tax credits and other incentives to spur the building of chip fabs and plants turning out EVs, batteries and components. It's Washington's bid to catch up to China in zero-emission autos and reclaim leadership in semiconductors, an industry the US pioneered.

America's factory boom promises to bring investment and well-paying jobs to areas desperate for them. But along with the bulldozers and hard hat crews also come worries about whether there's adequate infrastructure to support the new factories and concerns about the changing fabric of surrounding communities.



Few places are reaping the benefits of the Biden administration's industrial policy push more than Georgia, where the state and local governments are also dangling tax breaks, free land and other perks to lure manufacturing jobs. Governor Brian Kemp has called Hyundai's Bryan County plant the biggest greenfield investment in Georgia's history. EV startup Rivian Automotive Inc. is plowing $5 billion into a factory 45 miles east of Atlanta that's supposed to employ 7,500 workers by 2028. And there's the multiplier effect of auto suppliers and other businesses moving to the Peach State to cater to the manufacturers moving in.

The US badly lags other major markets in adoption of EVs: Fully electric cars along with plug-in hybrids made up a little less than 9% of all passenger cars sold in the first half of 2023, compared with 27% in China, according to BloombergNEF. Now US demand is getting a jolt from the introduction of federal tax credits of as much as $7,500 on purchases or leases of new EVs, available through the Inflation Reduction Act that President Joe Biden signed into law in August of last year.

To take advantage of the tax incentives—scheduled to extend through the end of 2032, but at risk of being repealed if some Republicans get their way—automakers building US plants are trying to move from groundbreaking to ribbon-cutting in record time. Oscar Kwon, whom Hyundai tapped to lead the project in Georgia, spent four years in India helping to open a factory for Kia. He'll have a little more than two years to get the facility near ▶

❶ Ellabell, Georgia



Companies	Hyundai, LG Energy Solution
Estimated opening	Late 2024
Investment	$7.6b
Employees	8.5k

❷ Jeffersonville, Ohio



Companies	Honda, LG Energy Solution
Estimated opening	Late 2025
Investment	$3.5b
Employees	2.2k

◀ Savannah up and running. To help move things along, the state and municipalities are contributing $1.8 billion in tax credits, sales tax exemptions and road projects. "It's a race," says Trip Tollison, chief executive officer of the Savannah Economic Development Authority. "Everybody is trying to do all they can to get their product on the road."

The ambitions of Hyundai and partner LG Energy Solution Ltd. will strain local supplies of workers, water and more. Michael Toma, an economist at Georgia Southern University, estimates the Hyundai Metaplant will support a total of 20,000 jobs—just shy of half at the facility itself, 5,000 more at auto suppliers and several thousand more at businesses that pop up to serve them. All that is equal to 10% of the Savannah area's entire workforce.

A group of counties has pooled resources to build a massive wastewater treatment facility in anticipation of the plant's arrival. But officials in Bryan County, which has a population of about 48,000, are tapping the brakes on other development so they can better assess infrastructure needs. After a surge in applications to rezone farmland near the factory site to allow for the construction of warehouses and multifamily residential complexes, commissioners voted to institute a temporary moratorium on approvals. "I can tell you, I'm not going to get an apartment complex in the next 18 months," says Audra Miller, Bryan County's community development director. "Yes, there will be growth. Will it be perfectly aligned with when Hyundai opens the doors? Probably not."

Even if a large share of Hyundai's future workforce ends up commuting in, Pembroke and other nearby towns will likely see their Main Streets transformed once the facility opens. That's what happened in West Point, Georgia, a town of 3,700 that borders Alabama where Kia opened its first US factory in 2009. The area was once home to several textile mills, but it went into decline in the 1980s and '90s as jobs moved offshore.

Mayor Steve Tramell says the town never saw the new housing it expected because developers found it more lucrative to build pricier homes closer to Atlanta. Still, at least 10,000 people drive to the Kia plant and its suppliers daily, and "our downtown's booming," he says.

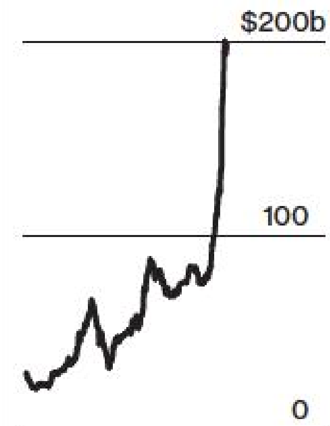
Georgia, along with Tennessee and the Carolinas, is part of a new EV and battery belt taking shape in the US. But the auto industry's transition to zero-emission vehicles is also pulling investment into the old Rust Belt. In Fayette County, Ohio, on an industrial site the size of 60 football fields surrounded by soybeans and corn, Honda Motor Co. and LG Energy Solution are sinking as much as $4.4 billion into a lithium-ion battery plant that's slated to start production in two years.

Jamie Gentry, an economic development consultant who was part of the team that negotiated the deal, says the county had spent two decades trying to lure a large factory—with no success. But there's been increased interest over the past year from car companies scouting locations for factories. "I've been in this business for 22 years, and I've never seen anything like it," he says.

The Honda-LG investment has sparked a land grab of sorts. Jaret Bishop, a developer in Washington Court House, the county seat, says that thanks to the arrival of construction crews, all his apartments in the area are rented. He plans to build more housing on 150 acres of farmland he's acquired.

Jason Langley, owner of a real estate and auction business run out of a 1920s-era theater, is hopeful that an influx of new businesses will help fill vacant storefronts downtown. "I like the idea that

▼ US construction spending on manufacturing, seasonally adjusted annual rate



▼ Downtown Pembroke. Below: The groundbreaking ceremony for the Hyundai "Metaplant"





GEORGIA: RICHARD BURKHART/USA TODAY NETWORKS (2); OHIO: DUSTIN FRANZ/BLOOMBERG. DATA: US CENSUS BUREAU

people can actually stay here locally and have a good-paying job, and they don't have to drive or move out of state," he says.

Marsha Arnold, an owner of Werner's Smokehouse Bar-B-Que in nearby Jeffersonville, says that without the battery plant, she wouldn't have been able to reopen the restaurant she and her partners closed in March 2022. "It's gonna be good for us, for the community," she says. "There's going to be a future that also comes with challenges, but we'll be able to sort through all of that."

It's not clear how many workers will move to the area rather than commute from nearby cities—Cincinnati, Columbus and Dayton are all less than an hour's drive away—but the coming changes are of "a scope that we can't imagine," says Bob Peterson, a farmer and former Fayette County commissioner who's now a state representative. Locals fear losing the rural character of the place, but he says, "You have to have economic growth. You have to have jobs. Not everybody can come back to the farm."

Some might call it progress, but not Gene Baumgardner, who for 20 years has been growing corn, soybeans and wheat on 3,000 acres about 5 miles from the Honda-LG plant. "We as farmers are running an industry, and I don't see why we have to give up one for another," he says.

Tony Anderson, a current Fayette County commissioner, says local officials met with their counterparts in Union County, about 60 miles north, in March to get a sense of what to expect. Honda opened a motorcycle plant there in 1979, its first foray into manufacturing in the US, and added a vehicle assembly plant in 1982.

Honda's long presence in Ohio, where it has a total of five facilities, helped it secure $156 million in state incentives for the new battery plant, including tens of millions for water and transportation upgrades, plus $237 million in grants from Ohio's private economic development entity. (That pales next to the $2.1 billion in perks state authorities have promised to Intel Corp., which is turning an area east of Columbus into a giant hub for the manufacture of semiconductors.)

Honda and its subsidiaries employ about 8,000 in Union County, according to administrator Bill Narducci. And the county's population has increased steadily since the Japanese automaker made landfall, from 29,400 in 1979 to almost 67,000 today. The area is home to companies from nine countries, which together employ almost 40% of workers there. "The economy is a lot different now than it was then in terms of workforce, and that's a struggle that I think every community has," Narducci says.



▲ Arnold at her restaurant in Jeffersonville

Rick Riggle, chief operating officer of the Honda-LG Energy joint venture, has met with local officials and area residents to address any anxieties. "Our intent is not to change the community," he says. "We want to engage with the community, grow with them."

Biden and Democrats are counting on the new factories in Ohio and other potential swing states to translate into gains in the 2024 election. But Fayette County voted 75% for Trump over Biden in 2020 and Jeff Hoppes, a farm equipment mechanic who's been a Jefferson Township trustee for 22 years, is doubtful that the Honda-LG development will cause the area's GOP faithful to convert. "Whoever votes for Biden in this county is true-blue Democrat," he says.

"There's going to be a future that also comes with challenges, but we'll be able to sort through all of that"

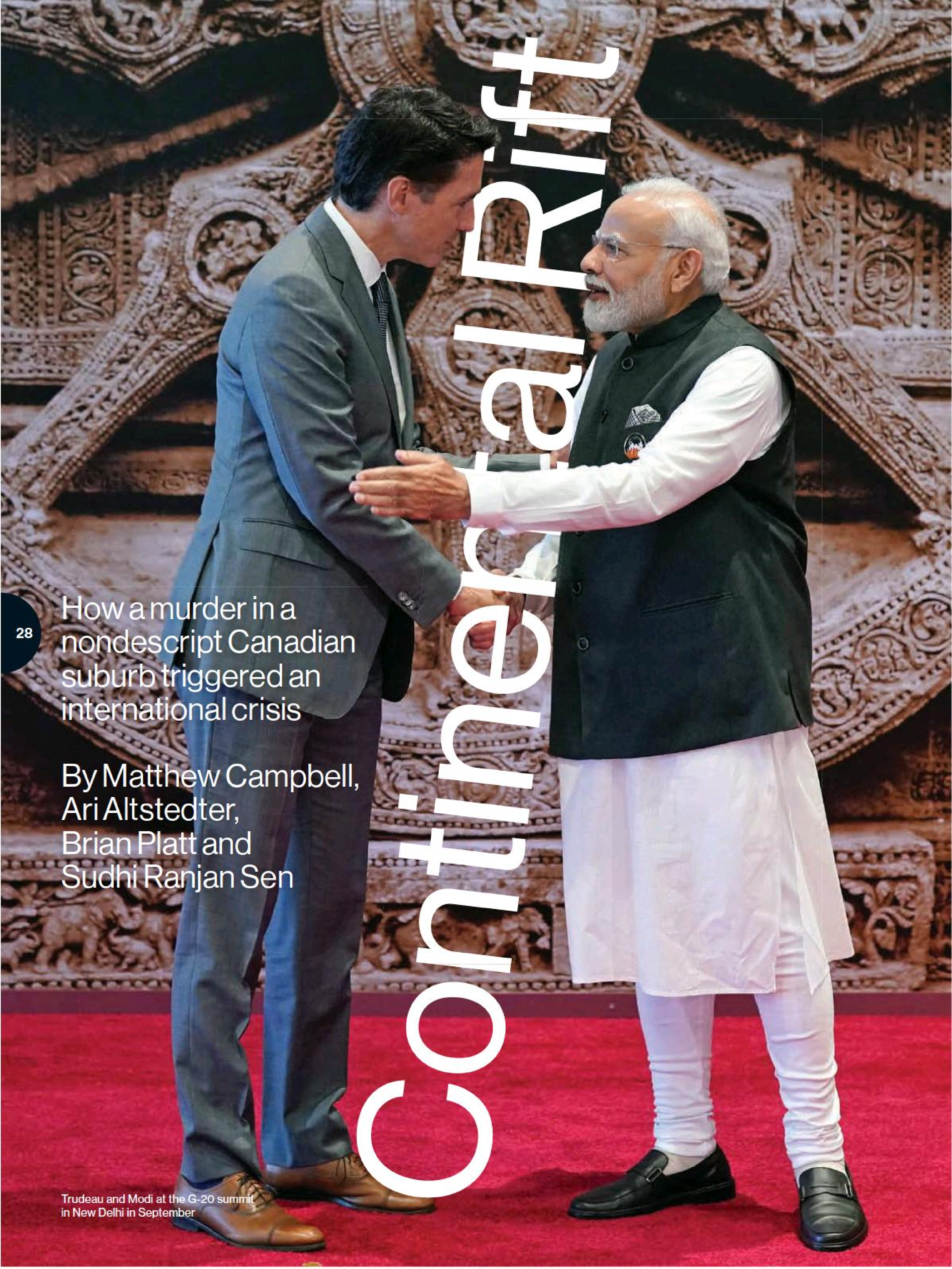
A White House tally of private investment announced since Biden took office shows $139 billion in commitments for EVs and batteries nationwide and $231 billion for semiconductors and electronics. If communities aren't seeing the benefits yet, it's because many of the projects haven't started or are in the early stages of being built, US Secretary of Energy Jennifer Granholm told *Bloomberg Businessweek* during a groundbreaking in August for a $250 million expansion of a battery recycling plant in Lancaster, Ohio—a project made possible with $82 million in federal grants. "They have to know that this is really happening, that it's not just politicians talking, but that it's actually happening in their communities," Granholm said. "I just think it's a little early, because people haven't seen it yet." —*Michael Sasso and Mark Niquette*

THE BOTTOM LINE Construction spending on factories has surged to its highest level since the 1950s, spurred in part by federal incentives to encourage the transition to EVs.

Continental Rift

How a murder in a nondescript Canadian suburb triggered an international crisis

By Matthew Campbell, Ari Altstedter, Brian Platt and Sudhi Ranjan Sen



Trudeau and Modi at the G-20 summit in New Delhi in September

Charanjit Singh Sujjon was playing soccer when he heard the gunshots. At first Sujjon, 50, thought someone was setting off firecrackers next to Kabaddi Park, a green space in Surrey, British Columbia, just outside Vancouver. It was June 18—Father's Day—and the park was busy into the evening, mostly with members of Surrey's huge South Asian community. Then Sujjon saw two men running away from the Guru Nanak Sikh Gurdwara, a nearby Sikh temple. Sujjon saw they wore black hooded sweaters despite the late-spring heat and had their hands in their front pockets, as though they were concealing something. Both had covered their faces with masks or bandannas and kept looking back as they ran.

Sujjon, who works as a caretaker for the gurdwara, started running toward the back of its parking lot with another man, Bhupinderjit Sidhu. They saw a dark gray Dodge pickup truck stopped near the exit. The driver's side window had been blown out, and shell casings littered the pavement. Inside was the temple's president, a prominent Sikh political activist named Hardeep Singh Nijjar. Slumped toward the passenger seat, Nijjar, 45, had visible wounds on his face, neck, arm and chest. His flowing black hair—observant Sikhs don't cut it—had unwound from under his turban. Sidhu opened the door and began shaking Nijjar by the shoulders. "Are you OK, brother?" Sujjon cried. But by then, it was clear that Nijjar was dead.

Officers from the Royal Canadian Mounted Police (RCMP) arrived along with an ambulance shortly afterward. They cleared away the crowd that had gathered outside the gurdwara, cordoning off the area with yellow tape. And they began an investigation that would, by late September, explode into global headlines. Prime Minister Justin Trudeau has accused Indian agents of involvement in killing Nijjar—a Canadian citizen who advocated for the creation of "Khalistan," an independent Sikh homeland in the northern state of Punjab. The government of Prime Minister Narendra Modi calls the allegation "absurd" and says Canada is harboring Sikh figures whom it considers terrorists. Modi's government also blames these figures for instigating violence within India.

This account of Nijjar's murder and its aftermath is based on discussions with government officials in Canada, the US, India and Europe—all of whom asked not to be identified describing internal deliberations—as well as members of Sikh communities in Surrey and elsewhere. Those sources shed light on how a killing in a Vancouver suburb escalated into an international crisis, one that raises broader questions about efforts by Western governments to turn India from a friend into something more like an unofficial ally.

While stopping short of publicly verifying Trudeau's claims, US officials have expressed deep concern about them and urged India to cooperate with police investigations. "We have been consulting throughout very closely with our Canadian colleagues—and not just consulting, coordinating with them," US Secretary of State Antony Blinken told reporters in September. "We are extremely vigilant about any instances of alleged transnational repression, something we take very, very seriously." India's Ministry of External Affairs did not respond to a request for comment for this story.

Nijjar's death has also highlighted the Modi government's uncompromising attitude toward its critics, whether at home or overseas. Under the rule of his Hindu-nationalist Bharatiya Janata Party, activists, academics and journalists—especially those belonging to other religions—complain of an atmosphere where contradicting official narratives can lead to harassment or legal sanction. Abroad, groups that disagree with Modi's policies fear they're increasingly being targeted for disruption or worse by the Research and Analysis Wing (RAW), India's main spy agency.

Nowhere is that more true right now than in the Sikh diaspora, an archipelago of immigrant communities across the English-speaking world. In recent years, activists have organized unofficial overseas referendums to demonstrate support for a Khalistani state, something the Indian government views as an unacceptable provocation. Regardless of whether a role by India is ever substantiated in Nijjar's murder, those communities have now received a chilling message.

Parts of Surrey resemble a sort of Punjab on the Pacific. More than 150,000 of its roughly 600,000 residents are Sikh, one of the largest such communities in Canada. A sprawling expanse of single-family homes, wide roads and strip malls, Surrey is an easy place to find businesses with names such as 88 Jalebi Junction (a jalebi is a sugary snack beloved in India) and Sabzi Mandi Supermarket, named for the Hindi word for vegetables.

Sikhs, who follow the monotheistic teachings of Guru Nanak, a spiritual leader who lived in the 15th and 16th centuries, are India's third-largest religious minority after Muslims and Christians. While small Sikh communities have existed in Canada for more than a century, large-scale immigration began much more recently, intensifying amid political turmoil over the community's status in India. In 1984 the Indian army carried out a bloody assault on Sikh militants who'd taken shelter in the Golden Temple, the religion's holiest site. Months later, Indira Gandhi, the prime minister who'd ordered the operation, was assassinated by her Sikh bodyguards. Thousands were killed in the anti-Sikh riots that ensued in multiple Indian cities.

As activists left India, Vancouver and its suburbs became a center for Sikh nationalism, and sometimes militancy. The bomb that brought down Air India Flight 182, a Boeing 747 that exploded over the North Atlantic in 1985, killing all 329 people aboard, was checked into luggage at Vancouver International Airport, and the suspects in the case had extensive ties to the area. But local residents are quick to characterize that event—before Sept. 11, the deadliest aviation-related terror attack in history—as an aberration. There have been no ▶

EVAN VUCCI/GETTY IMAGES

◀ significant incidents of violent Sikh extremism in Canada for decades.

Instead, the community's focus has shifted to peaceful mass organizing, including the Khalistan referendums. They have no legal force and are effectively symbolic. But India sees the votes as a vector for radicalization and has repeatedly complained about them to Canada as well as other countries where they've been held, such as Australia. No one has intervened to stop them. So long as it remains nonviolent, Sikh organizing is covered by the free-speech protections that prevail in Western societies, and politicians have no legal basis to stand in its way, even if they wanted to.

It would also be unwise for any Canadian leader to antagonize Sikh communities. Politically engaged and geographically concentrated, they represent a powerful source of votes. When former Prime Minister Stephen Harper took a majority of seats in Parliament in 2011, it was thanks in large part to victories in Toronto and Vancouver suburbs with significant populations of Indian and Chinese immigrants. Trudeau currently lacks such a majority and governs with the support of the left-wing New Democratic Party. Its leader, Jagmeet Singh, is a Sikh and the son of Punjabi immigrants. According to a person with knowledge of Indian foreign policy, officials in New Delhi view Canada as far less responsive to intelligence about what they consider Sikh extremism than the US and UK. "Most of us have drawn our own conclusion," the person says.

Nijjar came to Canada in 1997, working initially for a plumbing company. After learning the trade, he started his own business. In his early years in the country, he had little time for politics, preferring to focus on establishing his business, says Bhupinder Singh Hothi, general secretary of the Guru Nanak Singh Gurdwara. But he gradually became more vocal and carved time away from his family and work to advocate for Sikh independence. He ran unopposed for the gurdwara's presidency in 2019, and after taking over he turned the temple into a hub



An image of Nijjar during a June protest over his killing

for Khalistan activism. He was known for Sunday sermons in which he decried the rapes of minority women in India as well as alleged extrajudicial killings by the country's government. He also led protests outside the Indian consulate in Vancouver, condemning what he said were atrocities against Indian Sikhs, Muslims and Christians.

He was particularly focused on organizing the referendums, for which voting took place in various locations around the world in 2021 and 2022. Around the same time, Hothi says, Nijjar began getting anonymous phone calls, with the voice on the line threatening to hurt him or his family. According to Hothi, Nijjar also received warnings from the Canadian Security Intelligence Service, the country's primary spy agency, that his life was in danger. Nijjar refused to

"I was adamant about seeing what happened. I want to confirm it, or see him, if it's a lie"

tone down his activism; in April of this year, he announced during a Sikh festival that the Khalistan referendum would be coming to Surrey on Sept. 10.

RAW, the Indian intelligence agency, was set up in the aftermath of the 1962 Sino-Indian War, in which Chinese forces blindsided India with an attack on the countries' disputed Himalayan border. Amid continuing tensions with China as well as Pakistan, the Indira Gandhi administration concluded that it needed a dedicated external intelligence agency and created RAW in 1968. Unlike the Central Intelligence Agency and other US spy organizations, which are regulated by the Senate Select Committee on Intelligence, it's not subject to parliamentary oversight.

RAW has been accused of carrying out covert killings in the past, largely in India's own region. In the most sensitive overseas operations, Indian personnel are rarely used, according to people with knowledge of the agency. Instead, RAW tends to contract out the work to local factions that might have a preexisting grievance with the person being targeted. There's no formal process within RAW for authorizing such action, the people say. It's a gray area, left to the discretion of the secretary—RAW's top official—and influenced by his tolerance for risk, as well as his

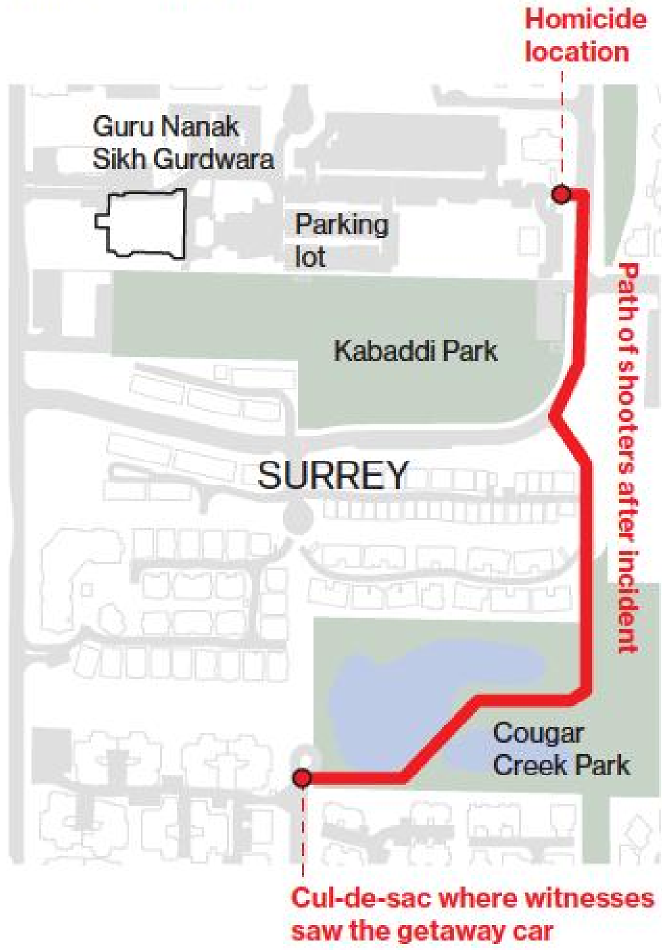
sense of how much political backing he might receive. (The agency has never been headed by a woman.) Although the secretary may consult with India's national security adviser, to ensure that activities are, in intelligence parlance, "deniable," the prime minister is never informed.

From New Delhi, officials were watching Nijjar warily. India had been providing information about him to Canada for the better part of a decade, according to the people familiar with RAW—saying, among other things, that he'd left India in 1997 using fake papers and an assumed name, after being questioned by police in connection with the assassination of a Punjabi politician. In 2016, India had accused Nijjar of running a terrorist training camp in a rural area outside Vancouver. Canadian police looked into it, but no charges were laid. (The allegation was also dismissed by the mayor of the community where the camp was said to be.) New Delhi formally designated him as a terrorist in 2020 and later alleged he'd been part of a conspiracy to murder a Hindu priest. But Canada took no action against him. By the end of last year, according to the people, the Indian security establishment was increasingly concerned about what it saw as Nijjar's potential to harm the country's interests, and patience was running thin.

With the beginnings of a bushy black beard, almond-shaped hazel eyes and long hair bundled under a black head wrap, 21-year-old Balraj Singh Nijjar bears a striking resemblance to his father. His voice cracks with emotion during an interview with *Bloomberg Businessweek*, but he remains composed as he narrates the events of June 18. That day, he and his family presented Nijjar with his Father's Day gift, a new pair of jeans; Nijjar joked that because he was on a diet, they might be too loose for him. He then departed for the gurdwara, arriving midmorning. At noon, he gave one of his regular Sunday speeches, in which he told congregants that he believed the Indian government was after him.

NIJJAR: ETHAN CAIRNS/THE CANADIAN PRESS/AP

The Getaway



DATA: CITY OF SURREY, INTEGRATED HOMICIDE INVESTIGATION TEAM, BLOOMBERG REPORTING

Nijjar called Balraj around 8 p.m., telling his son that he was heading home and inquiring about what was for dinner. Vegetarian pizza, Balraj told him. As Nijjar pulled out of the gurdwara parking lot in his pickup, a white sedan began moving along his flank. (A surveillance camera on the second floor of the building captured the movements of both vehicles; the footage was described to *Businessweek* by temple officials who reviewed it.) The sedan then merged into Guru Nanak Way, a short street that runs through the gurdwara grounds, ahead of Nijjar. It proceeded to the back exit of the property, where Guru Nanak Way intersects a larger thoroughfare, then stopped, blocking Nijjar. That was when the two assailants, who'd emerged from a glass shed on the edge of the gurdwara property as Nijjar started driving, approached the pickup. According to witnesses, one was heavyset and on the shorter side, while the other was taller and slim. They fired rapidly for perhaps five seconds. The white sedan turned onto the larger road, 122 Street, and out of sight. And the shooters started running.

Sehaj Singh, a gas station employee who was playing soccer at the time, took off after them. He followed the pair into Cougar Creek Park, a nearby green space with exits onto several residential streets, shouting "Stop!" in Punjabi. Just before crossing a small bridge, one of the men turned around and pointed his weapon at Singh and another witness he was running with. Frightened, they stopped, but then they decided to continue the pursuit. Singh made it to a cul-de-sac at the edge of the park in time to see the gunmen get into another sedan, this one silver. (Police later identified it as a 2008 Toyota Camry). Then they sped off, blowing through a stop sign at the end of the block.

Balraj was at home when his phone rang. It was a family friend, telling him his father had been shot. He rushed to the temple with his mother and younger brother. When they arrived, Balraj tried to run to Nijjar's pickup truck, but police had cordoned it off. "I was adamant about seeing what happened. I want to confirm it, or see him, if it's a lie," Balraj recalls. Initially, an RCMP officer refused to tell Balraj whether his father was the victim of the shooting; it wasn't until late that night that the police delivered the news officially.

Over the next several days, detectives from a police unit called the Integrated Homicide Investigation Team, or IHIT, began working the case, pulling surveillance-camera footage and interviewing congregants at the gurdwara about Nijjar. "Within the community or people that knew him," Balraj says, "everyone was saying from the first day it was India that did it." By the end of July, investigators had reason to believe they could be correct. Trudeau and other Canadian officials haven't commented publicly on the nature of the intelligence they say implicates India. But people familiar with the matter say it included the results of surveillance on Indian diplomats, as well as more circumstantial information that was provided to Canada by the US, one of its partners in the Five Eyes intelligence alliance. (The others are the UK, Australia and New Zealand.) ▶





A protest against Trudeau in New Delhi in September (top) and one against Modi in Toronto the same month

◀ In early August security personnel briefed Trudeau's office about the evidence, according to a Canadian official with knowledge of the process, and Canada began discussing the matter with its Five Eyes partners. The Canadian government also reached out to India, two people with knowledge of the situation say, and ultimately shared details of some of the information it had obtained. Most of these government-to-government discussions were conducted through Jody Thomas, a veteran civil servant who serves as Trudeau's national security adviser, although other senior diplomatic officials, including Minister of Foreign Affairs Melanie Joly, were also involved.

Trudeau had a looming diplomatic headache. The Group of 20 summit of major economies was being held in New Delhi in September, with Modi welcoming world leaders to the Indian capital. Canada, the official says, wanted to ensure that its closest allies were prepared in case its suspicions became public beforehand—or, even worse, during the meeting. Trudeau discussed the matter with President Joe Biden and UK Prime Minister Rishi Sunak ahead of the event. According to a person with knowledge of the situation, Canada also warned European allies such as Germany that Trudeau would raise Nijjar's killing with Modi in New Delhi but didn't ask them to take any action on the issue.

In retrospect, the signs of a major breakdown in India-Canada relations were obvious. At the start of September, the Canadian government put negotiations for a trade deal with the world's most populous nation on hold. It offered no substantive explanation; in a briefing with reporters at the time, a Canadian official said the country had paused "to take stock" of the process. And at the G-20 itself, Trudeau and Modi didn't hold a formal meeting. Instead they had a brief "pull-aside" in which Modi, according to a statement from India's Ministry of External Affairs, "conveyed our strong concerns about continuing anti-India activities of extremist elements in Canada."

The following week, Trudeau was back home. It was clear, the official with knowledge of government deliberations says, that the prime minister would likely have to speak publicly about Canada's suspicions at some point—either because the information would come out in media reporting or in an eventual criminal trial. Being seen to have swept Indian involvement in Nijjar's death under the rug presented significant political risks. The Trudeau government had spent the past several months battling allegations that it had ignored intelligence reports suggesting that the Chinese government had sought to influence Canadian elections. A second scandal involving alleged interference by an Asian superpower—this time one suspected of ordering a killing on Canadian soil—could have been fatal to his premiership.

As it happened, the prime minister didn't have much of a choice: The Canadian Broadcasting Corp. and Toronto's *Globe and Mail* had both

INDIA: VIPIN KUMAR/HINDUSTAN TIMES/GETTY IMAGES CANADA: ARLYN MCADOREY/BLOOMBERG

gotten wind of the intelligence on Nijjar and were preparing to run the story. On Monday, Sept. 18, Trudeau told Parliament that Canada's security services were "actively pursuing credible allegations of a potential link between agents of the government of India" and the murder of Nijjar—something he called "an unacceptable violation

> "This is a precedent which must be addressed, and there's a strong interest in having the Indians agree to that principle"

of our sovereignty." Joly announced that Canada was expelling an Indian diplomat who she identified as the head of RAW operations in the country.

It was the middle of the night in New Delhi when Trudeau spoke. Vinay Mohan Kwatra, India's foreign secretary, was on his way to the airport, where he was departing for the annual meeting of the United Nations General Assembly in New York. He immediately turned around. According to a person with knowledge of the matter, India had expected Trudeau to continue using diplomatic channels to discuss the Nijjar issue. A public statement—on the floor of Parliament, no less—was a surprise, and one which demanded a response.

In their remarks, Trudeau and Joly had both urged India to cooperate in the investigation into Nijjar's murder. That, the Canadian official familiar with the process says, was intended to offer an off-ramp to Modi by giving him the option of handing over the matter to law enforcement. He declined to take it. Instead India reacted furiously, with the Ministry of External Affairs thundering that "such unsubstantiated allegations seek to shift the focus from Khalistani terrorists and extremists, who have been provided shelter in Canada." Shortly thereafter, India suspended the issuance of new visitor visas to Canadians.

Commentators in the Indian press and on social media, where nationalist voices are increasingly prominent, echoed that criticism and added another, especially after Biden administration officials weighed in with their concerns. Hadn't the US, under both Democratic and Republican presidents, been pursuing terrorists around the world for more than two decades, dispatching them by drone strike if necessary? Even if India had killed Nijjar, they asked, why should its security concerns be accorded any less weight?

Western countries are weighing their reactions to Trudeau's allegations carefully. Apart from the US, those that have addressed the matter publicly have made equivocal statements, calling for investigation but stopping well short of endorsing Canada's claims. In an era of rising confrontation with China, no government wants to lose the chance at having India as a partner, nor jeopardize access to its growing economy. France, for example, hasn't formally commented on the affair; a person familiar with Franco-Indian relations says that Paris is in the uncomfortable position of courting Modi as a security partner and as a customer for French weapons exports while growing increasingly concerned about his government's illiberal tendencies.

There are signs that the US, too, is looking to segregate the Nijjar matter from its broader relationship with India. When Blinken met on Sept. 28 with India's minister of external affairs, Subrahmanyam Jaishankar, the official summary of their discussion didn't mention the killing or any euphemism for it. Still, the matter will be hard to ignore completely. The drone strikes of the US war on terror were conducted in minimally governed countries such as Yemen and Somalia and eliminated individuals for whom there was little sympathy in any major capital. Ordering a hit on the streets of a G-7 nation is another matter entirely. "This is a precedent which must be addressed, and there's a strong interest in having the Indians agree to that principle," says John Kirton, a professor emeritus of political science at the University of Toronto and the director of the G20 Research Group, which studies the economic bloc.

There's no indication so far that Canada will make public the specifics of its intelligence on the Nijjar killing ahead of a judicial process. The Trudeau government's strong preference, the Canadian official says, is for the case to go through normal law-enforcement channels, followed by charges and a public trial—which could be compromised by the premature disclosure of information. If Canada's allegations are accurate, such a proceeding could provide an unprecedented window on a state-sponsored assassination and on the shadowy mechanics of RAW's overseas operations.

In the meantime, Sikh activists in Surrey and beyond are looking over their shoulders. In late August, a little over two months after Nijjar's killing and three and a half weeks before Trudeau's statement in Parliament, two police officers made a late-night visit to the home of one of his close friends, fellow Khalistan activist Gurmeet Singh Toor. They served Toor with a document called a Duty to Warn, telling him that the hour of their visit was an indication of its urgency. It read, in part: "The Police have determined by way of one or more investigative avenues that your life may be in peril. At this time, we are unable to provide you specific details of the threat." The document contained a section for Toor to confirm that he understood what he'd just been told by ticking "Yes" or "No." He marked an X next to "Yes" and signed his name. Ⓑ *—With Danielle Bochove, Jordan Fabian, Jennifer Jacobs, Iain Marlow, Michael Nienaber, Ania Nussbaum and Natalie Obiko Pearson*

WELCOME TO THE EQUALITY ISSUE

By Claire Suddath

This year has had more setbacks than progress—
but the fight for equity has always required patience

In 2016, Facebook released a diversity report revealing that the company's employees were 90% White and Asian, and 67% male. Then it blamed the American public school system for making it that way.

"Appropriate representation," Maxine Williams, Facebook's head of diversity, said at the time, "will depend upon more people having the opportunity to gain necessary skills through the public education system." She went on to lament how few women and minorities take the Advanced Placement exam in computer science. In other words, Facebook didn't have many Black or Latino employees, because they didn't take the right high school classes.

Four years later, in the wake of the 2020 Black Lives Matter protests, Facebook joined dozens of other major companies in publicly committing to hiring more people of color. Then, surprisingly, it did: By 2021 the company, newly renamed Meta, had hired more than 650 Black workers, including managers and executives. It was a significant if modest gain: Overall, less than 5% of Meta employees are Black, but that's more than double what it was back in 2016.

It wasn't the only company to make progress. According to a Bloomberg analysis of S&P 100 employment data representing 9 million people, of all the jobs created in 2021, 94% went to people of color. The problem wasn't the public school system after all. All companies had to do was make an effort.

Most of the time, progress doesn't happen this quickly. In this year's Equality Issue are stories of people fighting for change over long periods. The Chagos people (page 54) have been petitioning the British government for the right to return to their island homeland for more than 50 years. For decades, women in the US have pushed to overhaul an unforgiving child-care industry (page 46) that's about to get much worse. Native Americans in the Southwest (page 48) are trying to root out rampant fraud and forgery in the Indigenous art market. Companies that have supported Pride for years continue to experience conservative backlash (page 42). It's taken more than 30 years for Tyler Perry (page 36) to build his own version of Black Hollywood, in Atlanta, yet he's still yearning for respect.

There's plenty this issue doesn't cover, including many setbacks that happened in the past year. The maternal mortality rate, which has tripled in the last 30 years, rose yet again. North Dakota became the latest state to ban transgender girls from playing on female sports teams despite not having any transgender athletes in the state. More than 1,550 books have been banned from schools and classrooms across the US, many of them by LGBTQ writers or writers of color. At an elementary school in Florida, Black fourth and fifth graders were called into a special assembly and chastised for their low standardized test scores. The Supreme Court outlawed the consideration of race in college admissions.

But there's also the progress that broke through: Latinas, who lost the most jobs during the pandemic, are now employed at higher levels than ever before. The Food and Drug Administration approved the first over-the-counter birth control pill. Barbie became a feminist.

Bloomberg's post-BLM employment data analysis is inspiring, but it reveals what happened with hiring only through 2021. We don't yet know if the momentum has continued. There are already some indicators that it hasn't: Many companies, skittish about the economy and the threat of anti-affirmative action litigation, pulled back on their diversity efforts this year. In some cases, the chief diversity officer positions they created in 2020 were eliminated, or diversity, equity and inclusion (DEI) groups dismantled. Just last month, the US Equal Employment Opportunity Commission sued Tesla for creating a hostile work environment for Black workers at its flagship California factory.

It's possible that at some organizations, the great minority hiring boom will turn out to be nothing more than a statistical blip, a fleeting moment in time. But as the stories in this issue show, real progress is something that rarely happens overnight. It's a long game.



By Brett Pulley

Photographs by Braylen Dion

ONE-MAN SHOW

Filmmaker Tyler Perry built a money-minting empire on bawdy comedies and faith-infused drama. His next act: Seeking critical prestige

Film studio employees aren't easily impressed by celebrities. Yet a giddy moment transpired for the staff at Tyler Perry Studios when Eddie Murphy, Will Smith, Martin Lawrence and Wesley Snipes all found one another on the lot in Atlanta on the same day a few years ago.

"Eddie, come out here, you can't hide!" Smith yelled outside a trailer. When Murphy emerged he was met by Smith and Lawrence, who were there to shoot a sequel in their *Bad Boys* film franchise, and by Snipes, who was working with Murphy on *Coming 2 America*. The four stars exchanged hugs. "It's hard to beat this," Smith said as he captured the foursome in a selfie.

If the Atlanta-based actor, writer, director and studio mogul Tyler Perry gets his way, constellations like this will be just the start. The most commercially successful Black filmmaker in America, Perry is little considered among the industry's tastemakers. The movies and TV shows that made him a success, including *Meet the Browns* and *Madea Goes to Jail*, are usually a mix of bawdy humor, melodrama and morality tales reflecting Perry's own Christian faith. For much of his career, film critics dismissed his work, if they even noticed it. But his content sells to a huge audience of Black viewers who see, in his stories of strivers, matriarchs, extended families and second chances, tales that resemble their own lives—and leave them feeling good.



■ Perry in the director's chair

By most measures, Perry qualifies as a member of the Hollywood elite. He owns a private island in the Bahamas as well as a Beverly Hills estate where Prince Harry and Meghan Markle stayed for a time after arriving in California. His personal net worth is estimated at more than $1 billion. But his true home is Atlanta, where he moved to escape a gritty upbringing in New Orleans.

Perry has helped turn the city into a major hub for film and TV production. On busy days as many as 5,000 people work inside his studio complex, located on a former Army base in an historically Black neighborhood. The 367-acre facility has massive soundstages, rolling country meadows and a huge array of permanent sets, including strip malls, suburban mansions and even a replica of the White House. Next door, Perry is planning an entertainment complex, including restaurants, retail, a museum, studio tours and a theater that can seat more than 3,000 people. He plans to take the stage there himself when it opens in four years or so, possibly with a one-man show.

Perry's penchant for doing things on his own has angered Hollywood labor unions. Remarkably, he fully owns all 28 of the films that he has made, along with more than 1,800 television episodes. The Writers Guild of America filed a complaint against him in 2008 after he fired writers on one of his TV shows, and the two main actors' unions boycotted one of his plays in 2015 over the lack of a union contract. Perry settled the disputes but decided it was easier to write scripts himself. (Or with nonunion writers.) His approach, however, also allowed him largely to keep working through the five-month WGA strike that ended in late September. The writers persuaded the studios to agree to employ a minimum number of union writers on all shows. The Screen Actors Guild, which Perry belongs to, remains on strike. (Perry was interviewed before the SAG strike.)

Now, Perry's attempting an ambitious transition. Earlier this year he stepped back from writing the scripts for his five current television series—the best known is *Sistas*, on Black Entertainment Television—which are now being worked on by almost two dozen writers. (They participated in the strike.) Next he's seeking to vault into the higher end of the entertainment business, supplementing his mass-market comedies with prestige streaming projects featuring stars such as Kerry Washington and Susan Sarandon.

It's a big leap, notwithstanding Perry's resources and Hollywood network. But his trajectory so far suggests it would be unwise to bet against him. Even Perry, who grew up in a shotgun house in New Orleans and worked as a debt collector and used-car salesman before breaking into the big time, seems amazed by how far he's come in his 54 years. He's reminded of his journey every time he travels I-75, one of Atlanta's main arteries, with its giant

PREVIOUS PAGE SET: STEF STUDIOS. THIS PAGE: PHOTOS: COURTESY TYLER PERRY STUDIOS (2)

signs directing drivers to Tyler Perry Studios. "The first time I saw it was a moment of 'whoa, whoa,'" he says. "Don't have an accident trying to take this in."

Perry honed his skills on the so-called Chitlin' Circuit, a loose collective of clubs and theaters across the country, where Black musicians, actors and dancers performed for Black crowds. Many artists who later found national fame, including Ella Fitzgerald, Richard Pryor, Aretha Franklin and Tina Turner, got their starts in the same venues. But Perry came from the theatrical side of the business—characterized by low-budget musicals with unknown or fading gospel and R&B singers in leading roles—that didn't have the same success in producing stars. (Before Perry the most successful of the genre was probably Shelly Garrett, whose play *Beauty Shop*, set in a Los Angeles salon, ran for 30 years and frequently drew round-the-block lines.)

■ Directing the stage play *Madea's Farewell Tour* in 2020



Perry moved to Atlanta in 1991, driving 475 miles from New Orleans in a worn Hyundai that leaked radiator fluid onto the floor of the car. He scraped together $12,000 to stage his first play, *I Know I've Been Changed*—a story about survivors of child abuse that he based on his own early life. Initially it flopped, but Perry kept at it, writing and rewriting until it drew reliable crowds. Then he wrote more plays, typically with a straightforward moral message. In the archetypal Perry story, bad people get what's coming to them, and good people triumph through faith.

It wasn't always easy; at one point he spent three months living in his car. But over time the word spread, and working-class Black people, many of them churchgoers, crowded into his shows—sometimes as many as 35,000 attendees in one week. He sought further income by selling merchandise and videos of the performances, and by 2005 he was producing 300 live shows a year—and, he says, generating more than $100 million in annual ticket sales, plus $50 million in ancillary revenue.

Yet among the Hollywood executives who are paid handsomely to find ideas with the potential to become TV or cinema hits, Perry wasn't even on the radar. Major studios had tried before to bring Black stories to wider audiences, from '70s exploitation films such as *Super Fly* to the violent urban films of the '90s, like *Boyz n the Hood*. Black comedies and dramas, centered on feel-good themes and free of violence, seemed of little interest. Perry recalls visiting one Paramount Pictures executive, seeking a film deal, only to be told that "Black people don't go to the movies."

Then one evening, Michael Paseornek, then president of motion picture production at Lions Gate Films, happened to be picking up his car from a valet parking lot in Hollywood when he came upon a large crowd of well-dressed, older Black people—mostly women—also waiting for their vehicles. "I started talking to the women in front of me, and I'm like, 'Where did this crowd come from?'" Paseornek recalls. One of them responded excitedly: "We just saw a Tyler Perry play!"

As it happened, Perry's agent had been trying to get him a meeting with Paseornek for months. The Lionsgate executive even had several of Perry's stage-play videos and scripts piled in his office—never read, never viewed and collecting dust. "I thought, 'There's something going on here, and no one knows,'" Paseornek says. He arranged to meet Perry right away.

The pair partnered on Perry's first film, *Diary of a Mad Black Woman*—a romantic drama whose protagonist is kicked out of her home by her abusive husband, then finds new love. Perry put up $2.5 million of the $5 million budget; he and Lionsgate would split the profit 50-50. When it was released, the movie provided an unusually stark example of the gulf between critical and popular opinion and the power of Black audiences. Roger Ebert panned it, lambasting it for "one emotionally implausible scene after another" and giving it a one-star review. Then *Diary* topped the US box office in its opening weekend with $21 million in ticket sales, going on to gross more than $50 million.

With that success, Perry's terms quickly improved, particularly because he was willing to produce, write, direct and act. On a successful film he could earn as much as $30 million, according to Paseornek. "I'm laughing because he does all of this," says Paseornek, who's now an independent producer. "He's hands-on."

Paseornek says Lionsgate turned a profit on every ▶

◀ one of the 14 films Perry made with the studio. The revenue became so reliable that Paseornek suggested Perry take his film production company public, with Lionsgate as a primary investor. "Halfway through my little speech, [Perry] says, 'That's not for me. I'm going by myself,'" Paseornek recalls. "He wanted freedom to do it the way he wanted to. Tyler always bets on Tyler."

When a director of a television show or movie shoots 10 pages of a script in one day, it's usually considered a solid, productive performance. For Perry, however, it's not unusual to shoot more than 120 pages daily. Tim Palen, who was in charge of marketing his films at Lionsgate, recalls visiting the filmmaker on a set in Georgia during his early years. Palen was stunned when he walked onto a massive soundstage, where Perry had rigged cameras on a train track that ran the length of two airplane hangars. Along the track, Perry had built various sets, all prelit and ready to shoot. "There were like three cameras on the train, and on each side of the tracks there were sets for every show he was working on. He would hop on the train, and he would go to the newscaster set, and then hop on the train and go to the nightclub set," Palen recalls. "Usually in Hollywood you build a set, you shoot on it, you break it down and build the next set. He was like, 'I'm gonna do it like this, and then I can do it really fast.'"

Perry's is a machine built for speed, volume and cost control—not necessarily high quality. His first movie for Netflix Inc., the crime thriller *A Fall From Grace*, was lambasted on social media for gaffes including mismatched wigs, visible boom mics and continuity errors, such as a character's slippers disappearing between shots. His more recent productions are slicker, though most are of middle-of-the-road Hallmark Channel quality, rather than resembling the high-gloss fare of, say, HBO.

"A lot of people frown upon what I do for many reasons, but part of it is efficiency," Perry says. "Every job here is a real job. I don't have producers in place who are producers just to be on a title card. We all work, you know? And there's not this bureaucracy of slowing down every scene, every shot, with someone thinking, 'Hmm, what if I change her skirt color to red.' My whole thing is, money [is] being spent. Those decisions should have been made before you got here."

Much of what Perry shoots in Atlanta features his most successful and controversial character, Mabel "Madea" Simmons. Named for a contraction of "Mother Dear," Madea is Perry's leading lady, a family matriarch who provides wisdom, love and ribald humor. She sometimes carries a gun, has a history of reckless driving and has even made extra cash selling weed-laced edibles. "Every Black family has a Madea," Perry has often said, citing as inspiration the strong, irreverent but caring women of his mother's Friday night card parties.

He plays Madea. Wearing a bad wig, an extra-large house dress and prosthetic bosoms that reach his waist, the 6-foot-5-inch Perry lumbers around the set, delivering preachy lines and ominous gazes, and never backing away from potential fisticuffs. Madea is a financial winner and the title character in the majority of Perry's biggest-grossing movies. Lionsgate has paid him as much as $20 million per film to portray her—on par with what top actresses such as Julia Roberts command.

While Perry has acquired a devoted audience, he's also faced pushback for what critics see as trafficking in negative Black stereotypes. He was ridiculed in Michael R. Jackson's Pulitzer Prize-winning musical, *A Strange Loop*, for presenting a narrow slice of Black life, to the exclusion of LGBTQ perspectives. Director Spike Lee derided his work in a 2009 interview, calling it "coonery" and "buffoonery." The same year, feminist writer Jamilah Lemieux read out an open letter on National Public Radio. Lemieux commended Perry for getting stories about Black people onto TV. But, she complained, those shows were "marked by old



1



2


3

1 Directing Cicely Tyson in 2006

2 Tyler Perry Studios...

3 ...covers 367 acres

4 In *A Madea Halloween*

5 At a 2022 New York screening of *A Jazzman's Blues*

stereotypes of buffoonish, emasculated Black men and crass, sassy Black women."

Asked about this line of argument, Perry offers a straightforward defense: He's giving his fans what they want. "There's always going to be naysayers," he says. "There's always going to be people who are detractors. But my clear focus has always been my niche, my audience." He's also gone out of his way to show that he doesn't harbor hard feelings: The 12 soundstages at Tyler Perry Studios are named for Black Hollywood icons, including Sidney Poitier, Halle Berry, Denzel Washington—and Lee.

People who've worked closely with Perry say that while he doesn't plan to venture too far from his primary audience, he yearns for respect and recognition from the film world. Some of it has already arrived: He received a special achievement Academy Award, in recognition of the cultural impact of his films, in 2021. He also directed *A Jazzman's Blues*, a Netflix-distributed drama that, as Paseornek says, was "the first [Perry] movie to get positive reviews." (It's at 64% on Rotten Tomatoes, compared with 11% for *A Madea Family Funeral*.)

Perry inked a multipicture deal with Amazon Prime last year, but first he'll release *Six Triple Eight*, a Netflix feature based on the true story of an all-Black, all-female World War II battalion. The cast includes Washington, Sarandon and Oprah Winfrey. Perry won't disclose the budget, but he says it's the largest he's ever had. (He's not acting in the movie—only writing, producing and directing.)

He's also looking to extend his commercial reach. Perry openly covets BET, for which he produces much of the original programming, including *Sistas* and *Assisted Living*—two of the most popular scripted cable programs for Black audiences. He recently attempted to purchase the channel from its parent company, Paramount Global. While neither party disclosed his offer, BET could be worth as much as $3 billion, based on its annual cash flow. (Paramount called off a planned auction in August, saying that unloading the channel wouldn't sufficiently improve its balance sheet.)

Perry hasn't given up on taking it over—a deal that would give him control of an iconic entertainment property and an even tighter connection to millions of Black viewers. "What I can tell you is, it's worth a lot more with me than it is without me," he says. "With me writing hundreds of episodes for the channel, also delivering them at a number that is so cost-effective that it gives a great return. All of that is more and more reason for it to be mine."




4



5

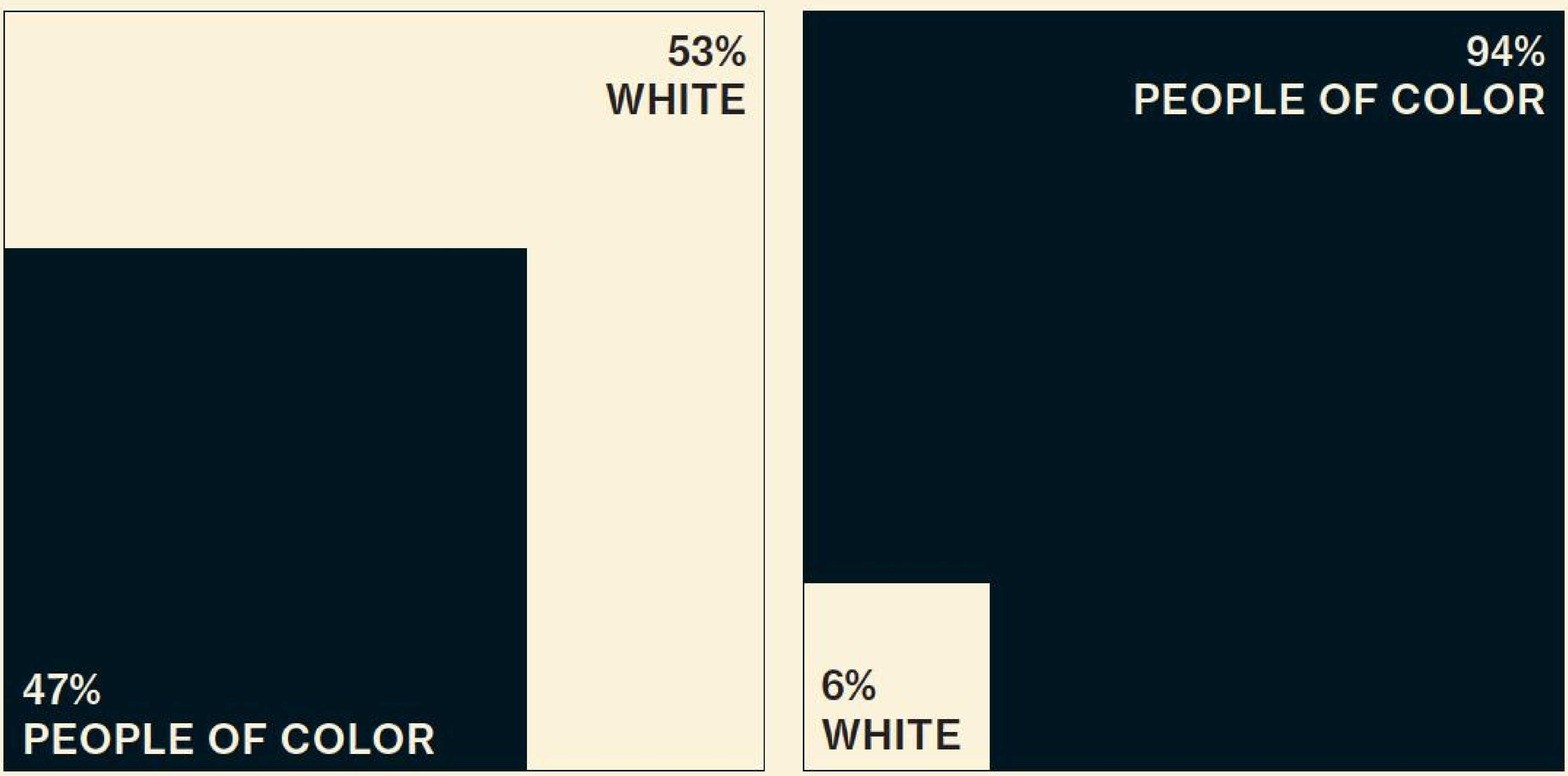
On his first visit to Atlanta in 1991, Perry was a young man looking to party. "Freaknik," an annual spring break gathering of students from the area's historically Black colleges, had grown from a picnic social into a raucous and chaotic citywide street festival, attracting visitors from across the state and beyond. "I was just coming to get drunk," Perry says. Yet while everyone else was focused on having a good time, he saw something revolutionary in Atlanta that drove him to uproot his life. The legacies of America's history of oppressing Black people were certainly still evident: Atlanta, after all, was once the heart of the segregated South. But Perry also saw a metropolis that was bustling anew with pride and swagger. In a manifestation of the dreams of the civil rights leaders who called the city home—including, most famously, Dr. Martin Luther King Jr.—Atlanta was attracting a broad swath of energetic and educated Black entrepreneurs, bankers, lawyers, doctors, politicians and entertainers. It was the perfect backdrop for the stories of everyday Black life that Perry wanted to tell. "I drove to some of the neighborhoods, and I saw where they lived and how they lived," he says. "And I said to myself, 'I'm moving here. This is home.' I drove back to New Orleans, got my stuff and moved to Atlanta that weekend."

In partnership with Palen, the former Lionsgate marketing executive, Perry is currently developing a scripted limited series called *Mabel*. It's about Madea, circa 1972, and it goes like this: A young Black woman from New Orleans arrives in Atlanta, just looking to party. But in a fortuitous kind of way, she finds herself at the intersection of pop culture, politics and music, showing up at some of Black America's most historic moments. She's there when Shirley Chisholm, the first Black woman to be elected to Congress, announces her candidacy for president. She's on the red carpet alongside Diana Ross and Billy Dee Williams at the opening of their groundbreaking 1972 film *Lady Sings the Blues*. Maybe she even pops up at the first Freaknik gatherings. Ⓑ

PHOTOS: LIONS GATE/EVERETT COLLECTION, BLOOMBERG (2), CHIP BERGMAN/LIONSGATE/EVERETT COLLECTION, BENNETT RAGLIN/GETTY IMAGES FOR NETFLIX

CORPORATE AMERICA SHOWS PROGRESS

S&P 100 WORKFORCE IN 2020* | HEAD COUNT GROWTH IN 2021



The year after the Black Lives Matter protests, companies in the S&P 100 added more than 300,000 jobs—and 94% went to people of color

By Jeff Green, David Ingold, Raeedah Wahid, Cedric Sam and Daniela Sirtori-Cortina

For a brief moment in 2020, much of corporate America united around a common goal: to address the stark racial imbalances in their workplaces. Mass protests sparked by the murder of George Floyd led to a flurry of company promises, both specific and vague, to hire and promote more Black people and others from underrepresented groups.

Exclusive analysis by Bloomberg News of data provided to the US Equal Employment Opportunity Commission shows how many of the biggest public companies did. The EEOC requires companies with 100 or more employees to report workforce demographics each year. Bloomberg obtained 2020 and 2021 data for 88 S&P 100 companies and calculated overall US job growth at those firms.

In total, they increased their US workforces by 323,094 people in 2021, the first year after the Black Lives Matter protests, and the most recent year for which data exists. The overall job growth included 20,524 White workers. The other 302,570 jobs—or 94% of the head count increase—went to people of color. The biggest shifts happened in less-senior job categories. White people held fewer of those roles in 2021 than they did in 2020, whereas thousands of people of color were added to the ranks.

But the trend continued up the job ladder, too: While White people still hold a disproportionate share of the most highly paid jobs, the share of executive, managerial and professional roles held by people of color increased by about 2 percentage points compared with 2020—more than double the average annual gains at big and midsize US companies in previous years.

People of color make up a minority of the US population, and in most cases are underrepresented at big US companies. In 2021, Hispanic, Asian and Black people made up a majority of added workers—a trend that, analysts say, is necessary to overcome historic underrepresentation. The companies in our dataset employ more than 9 million people in the US in industries from tech to finance, including Apple, Walmart and Wells Fargo. "Those are astounding percentages," says David Larcker, director of the Corporate Governance Research Initiative at Stanford University.

The reasons for the changes are complex and may be unique to a specific moment in time. In 2021 companies were hiring lots of people while prioritizing diversity. Many have since cut jobs amid an economic slowdown just as a backlash to corporate diversity efforts grows. While the biggest shifts happened in lower-paying job categories, such as sales workers and administrators, even at the executive level more than half the added jobs went to workers of color.

Black workers, who were the focus of the diversity push, made some notable gains. Their share of managers and professionals increased at 70 companies, and they boosted their ranks among executives in nearly as many.

For years, companies have blamed the lack of a recruiting pipeline for why their workplaces don't reflect the country's racial and ethnic makeup. White men tend to hold the highest-paying roles, and hiring managers have long said that qualified candidates from other backgrounds for elite jobs were few and far between. The latest findings show that when they're under pressure to hire and promote qualified diverse talent, organizations do it.

But even such big one-time gains—and losses—represent a small slice of the full picture. Most companies in our dataset are still lopsided, with White people holding a disproportionate share of high-paying jobs. "Even if it doesn't move the needle much overall, it shows something happened," says Larcker. "If it has long-term impact remains to be seen."

The data available only go through 2021, a year in which the US economy added a record number of jobs. Many laid off in the pandemic's early days were people of color, who were rehired when demand bounced back. The Covid-induced remote-work boom helped some companies expand their footprints in more diverse parts of the country while shrinking in more homogeneous communities. Retirements also surged that year, and older workers are more likely to be White.

At companies where overall employment shrank in 2021, White workers made up 68.5% of the losses, another 16.5% were Black, 9.7% were Hispanic and 2.3% were Asian.

The corporate reckoning on institutionalized racism in the immediate aftermath of Floyd's murder by a White police officer was a factor, too. "The work was exploding and organizations were just trying to figure out what to do in that very moment," said Stephanie Lajoie-Lubin, who worked in the Diversity, Equity, Inclusion and Belonging department at CarGurus, a car online review website, at the time.

That summer, many companies pledged hundreds of millions of dollars to racial equity efforts. Separately, about half the firms in the S&P 100, including Amazon, PepsiCo, Meta Platforms (then Facebook) and Microsoft, set ambitious targets for increasing their share of people of color in leadership. Amazon.com Inc. set out to double Black vice presidents and directors; Microsoft Corp. pledged to double Black managers and senior leaders in the US by 2025.

Among those that didn't make specific promises, there were public acknowledgments that they needed to do better. Walmart Inc.'s chief executive officer said the retailer was "not as diverse as we want to be and aspire to be," while Nike Inc. and Lowe's Cos. were among companies that joined OneTen, a group that aims to get 1 million Black employees middle-class jobs within a decade. ▶

*FIGURES REFLECT THE 88 S&P 100 COMPANIES INCLUDED IN BLOOMBERG'S ANALYSIS

◀ While many of the specific goals were for several years in the future, Bloomberg's analysis shows progress. Meta, Microsoft, Pepsi and Lowe's were among 39 firms that increased the number of Black workers across all the top, high-paying job categories.

Not all companies boosted diversity. Underrepresented groups of workers lost ground at 14 companies in total. Most of the declines were very slight. More than a quarter of companies had fewer Black executives in 2021 than in 2020.

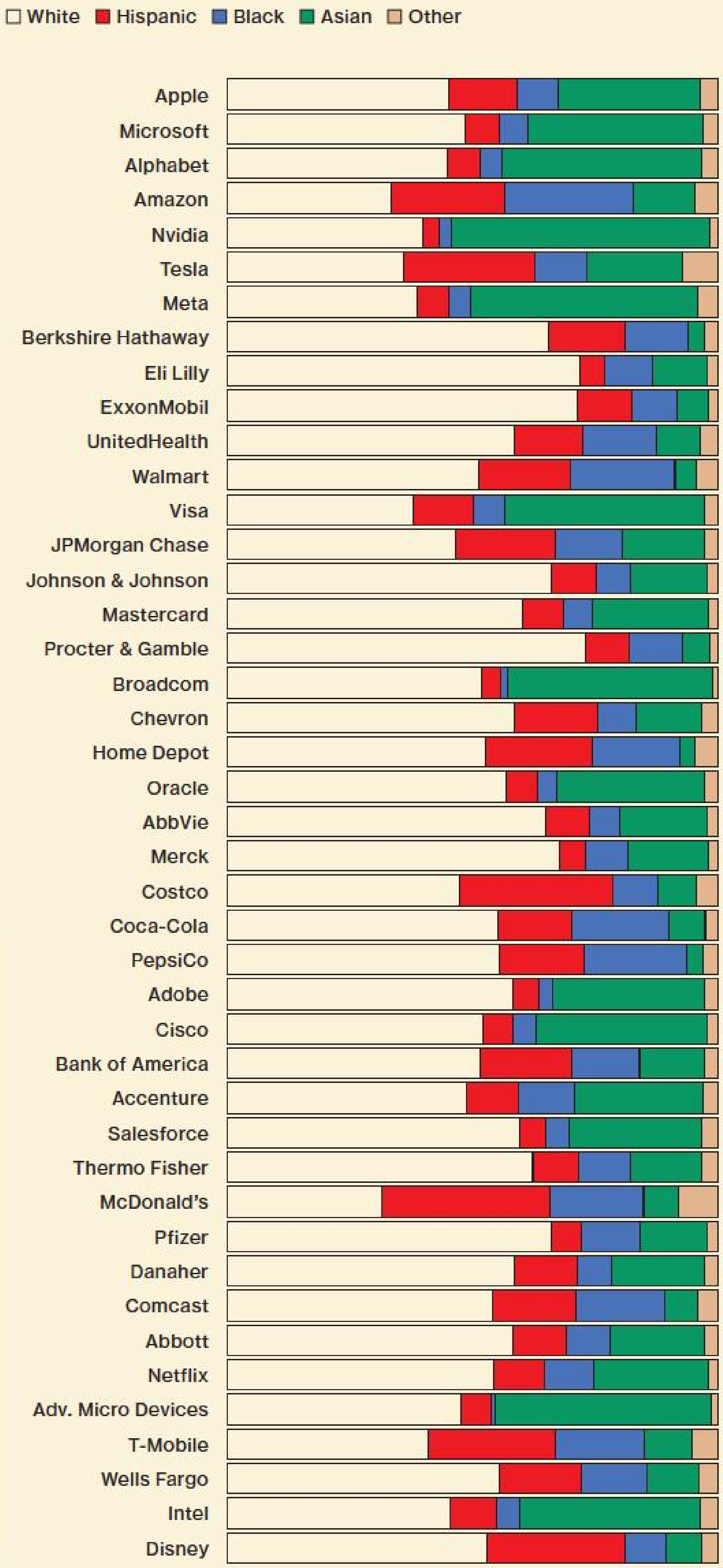
The country's shifting demographics were at play, says Elise Gould, a labor economist at the Economic Policy Institute, a think tank that studies policies for low- and middle-income workers. Many people just starting out in their career are from growing Black, Hispanic and Asian populations, who are entering the workforce just as more tenured White employees retire. That, however, can't fully account for changes, particularly at the top of the corporate ladder.

After Floyd's murder, companies adopted several practices to help hire and retain underrepresented workers, including establishing leadership development programs and training managers in inclusive practices. They're also getting better at identifying broader pools of job candidates, says Donald Knight, chief people officer at Greenhouse Software, which helps companies with equitable hiring practices.

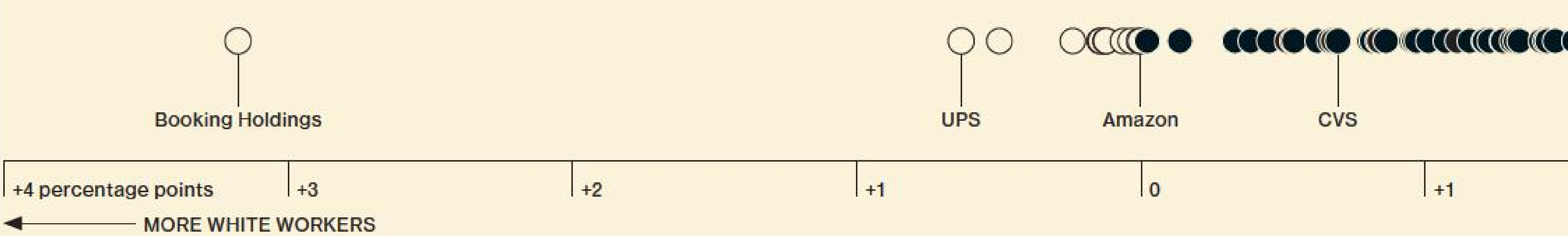
Even at companies that lost workers in 2021, such as Lowe's and Home Depot Inc., people of color ended the year with a bigger share of the overall workforce. That signals that corporations are being mindful about not just cutting the most recently hired workers, who tend to be people of color, says Crystal Styron, a senior principal in Gartner's diversity, equity and inclusion practice.

A variety of reasons make it unlikely that companies have sustained this pace of change since 2021. While the overall US labor market remains healthy, many companies have announced layoffs. At the same time, the cultural winds have shifted. Support for corporations' environmental and social policies—which encompass diversity initiatives—has waned as some conservative politicians and policymakers rail against what they've labeled "woke capitalism." Many CEOs are wondering if the scope of the Supreme Court's June ruling on race-based college admissions could apply to their own hiring goals.

S&P 100 COMPANIES' WORKFORCE

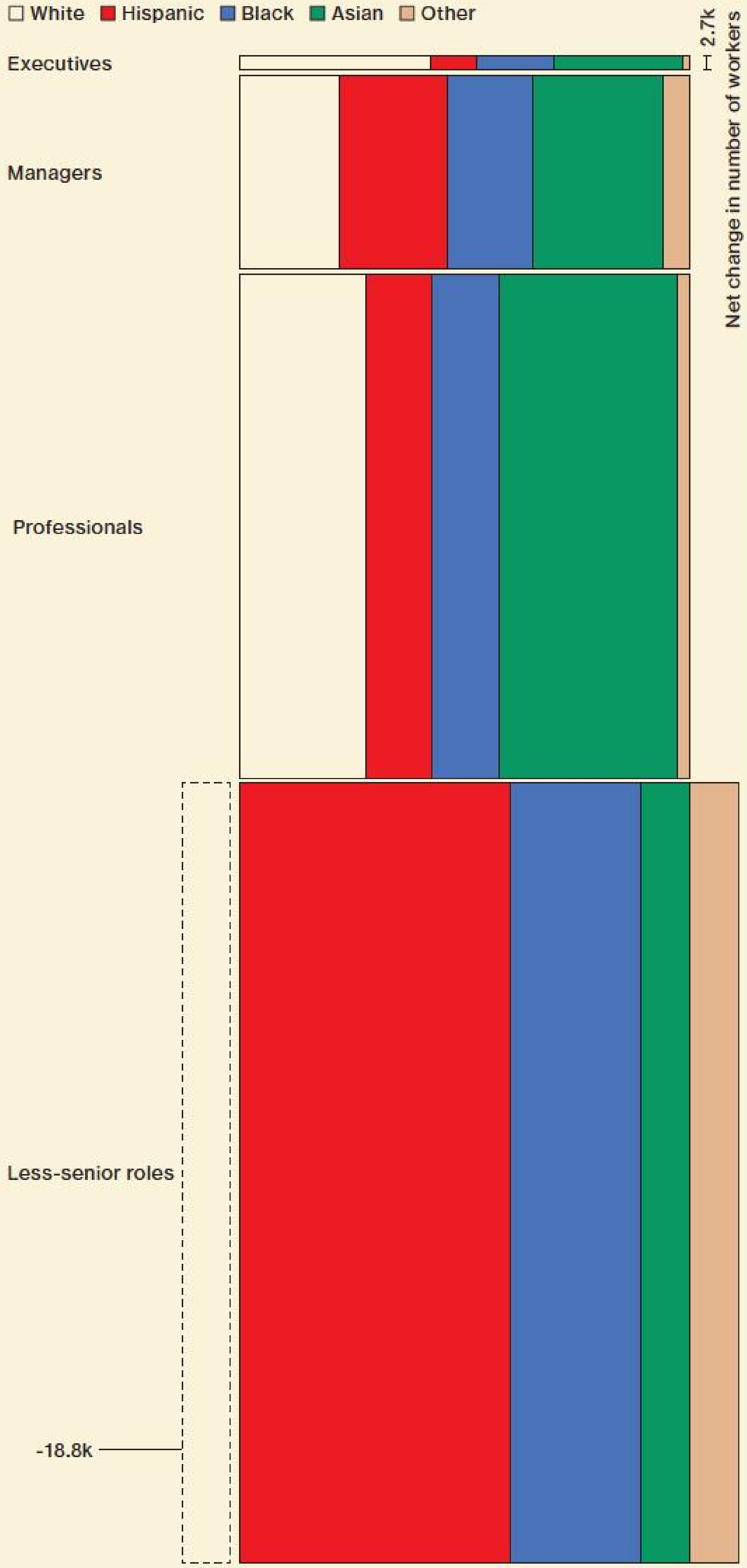


CHANGE IN RACIAL COMPOSITION AT S&P 100 COMPANIES FROM 2020 TO 2021



NEW WORKERS

Change in workers by race and job type, from 2020 to 2021

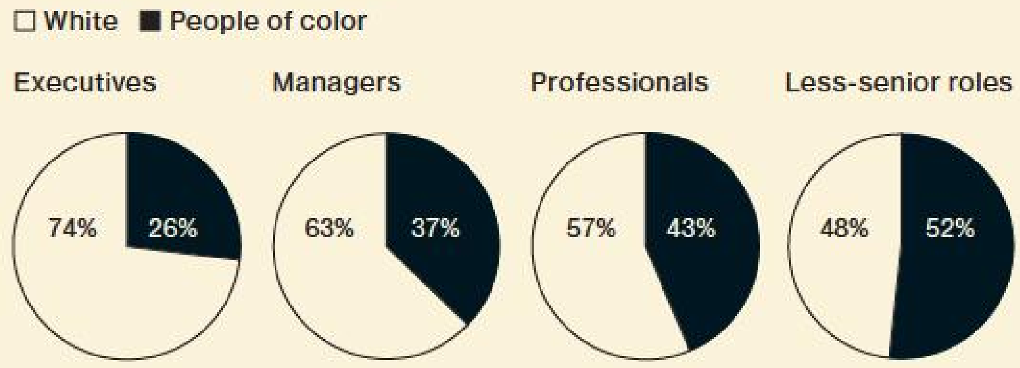


Despite the debate over the future of diversity efforts, experts expect US companies' openness about workplace demographics to continue.

In October 2020, when Bloomberg News first started asking S&P 100 companies to release the data they submit to the EEOC, just 25 of them agreed. This year, some 97 of those companies provided their most recent data, either in filings, on their websites or directly to Bloomberg News. Two more have agreed to do so in the next couple of years.

"The ball's rolling downhill and I don't see much changing because it's not just investors and activists that are pushing for this," says Josh Ramer, CEO and founder of DiversIQ, a company that tracks and analyzes the submissions made via EEO-1 forms.

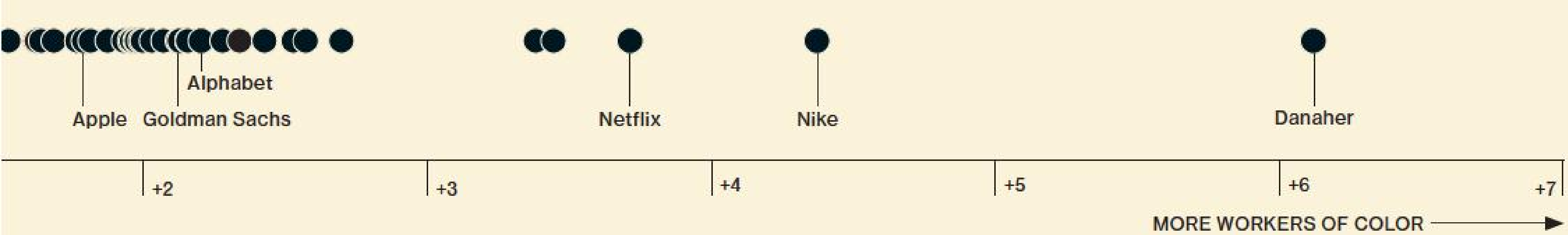
WORKERS BY JOB TYPE, 2021



"Transparency is really important to people so that they can judge for themselves. 'Do I want to work for this company? Do I want to do business with this company?'"

Among the broader S&P 500, 375 companies are already sharing the data and another 12 have committed to start doing so, research by DiversIQ found. But while companies are more willing to hand over raw data, they're also becoming more reticent to talk about progress that several years ago they might have been keen to acknowledge, says Esther Silver-Parker, a consultant whose previous roles included helping Walmart develop its DEI program.

None of the half-dozen companies with the most notable diversity gains from 2020 to 2021 wanted to discuss them in detail. "The stance is just do what we need to do and not talk about it," Silver-Parker says. "'Let's fly under the radar. Let's not call attention to ourselves. But we know we have a moral obligation and a marketplace obligation.'"



US CHILD CARE

America's child-care infrastructure is in tatters. The US went into the pandemic with known deficits: It's long ranked near the bottom of the list among industrialized countries in terms of the amount of government resources it devotes to children that aren't yet of school age. In a Unicef analysis of national child-care policies in 41 advanced economies, only Slovakia garnered a worse score.

The Biden administration's American Rescue Plan Act papered over some of these gaps, providing $24 billion to help child-care centers keep their doors open during the Covid-19 emergency, but the federal aid ran out at the end of September. Some 3.2 million children are at risk of losing their spots in care as a result, as centers are forced to cut staffing, reduce hours or shut their doors, according to the Century Foundation, which has modeled the effects of the fiscal cliff. "We ended up with this bridge to nowhere," says Julie Kashen, the foundation's director for women's economic justice.

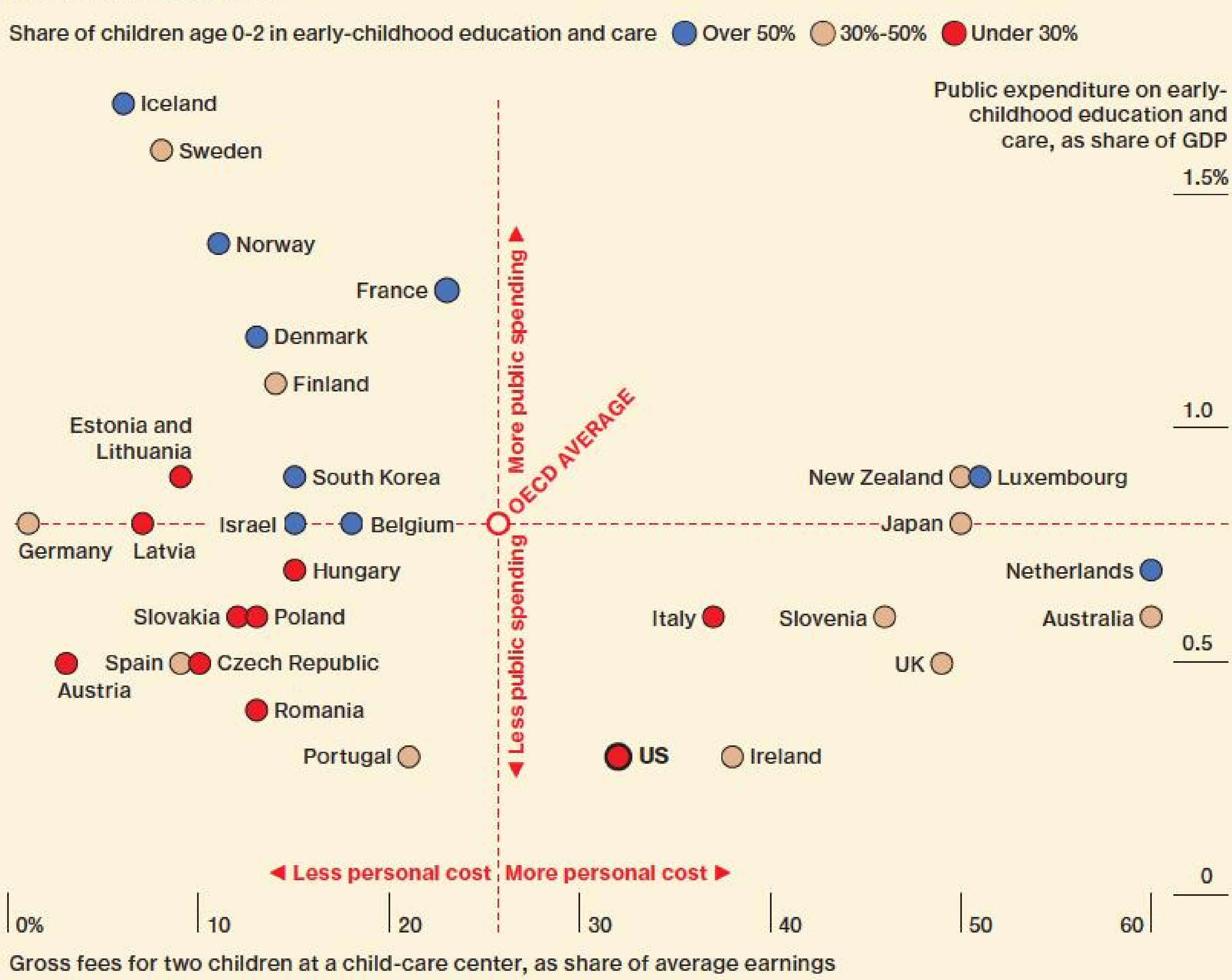
It's not hard to see why Kashen and others advocating for American parents are frustrated. Congress has authorized hundreds of billions of dollars in incentives for new chip fabs and electric vehicle plants. But plans to make more generous tax credits for parents permanent died on the vine, and there's been no other measurable progress at the national level toward lessening what for many families is a financially crushing burden.

The average price of center-based care for a young child was almost $11,000 in 2022—up 12% from 2019, according to Child Care Aware of America, an advocacy group. The high prices are a function of not enough supply to meet demand. Five years ago, when the Center for American Progress last mapped child-care deserts in the US, it estimated that roughly half of Americans were living in one, defined as a census tract with more than three children under age 5 for every licensed care slot.

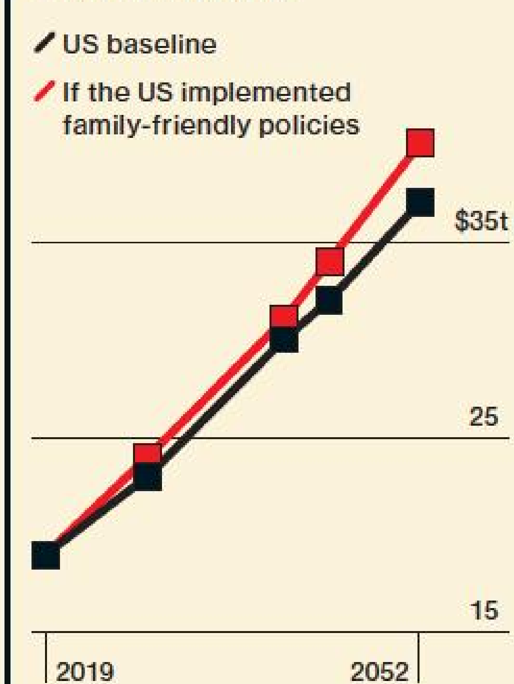
Moody's Investors Service has estimated that, if the US enacted family-friendly policies that exist in other developed countries, such as child-care subsidies or universal pre-K, its gross domestic product would rise by almost $1 trillion over the course of a decade, thanks to the resulting boost in women's labor force participation.

Here's a look at the bad and the ugly of child care in America, because really there's no good.

HOW THE US COMPARES



GDP PROJECTIONS



PROJECTED ANNUAL LOSSES RESULTING FROM THE END OF FEDERAL FUNDING FOR CHILD CARE

$10.6b

Loss in tax and business revenue for states

$9.0b

Lost earnings from parents leaving the workforce or cutting hours

IS BROKEN

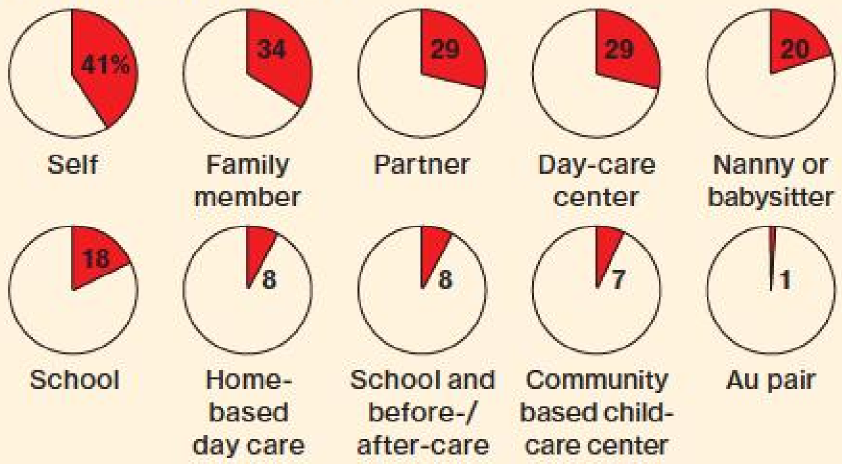
American parents are stressed, and so are caregivers. Here's a look at why

By Kelsey Butler
Graphics by Dorothy Gambrell

CHILDREN AGE 5 AND UNDER WHOSE FAMILY HAD JOB CHANGES BECAUSE OF CHILD-CARE PROBLEMS, 2020-2021

Black	17%
Latino	16
Asian/Pacific Islander	14
Two or more races	13
White	10
American Indian	9

PRIMARY SOURCES OF CHILD CARE FOR WOMEN WITH CHILDREN 5 AND UNDER



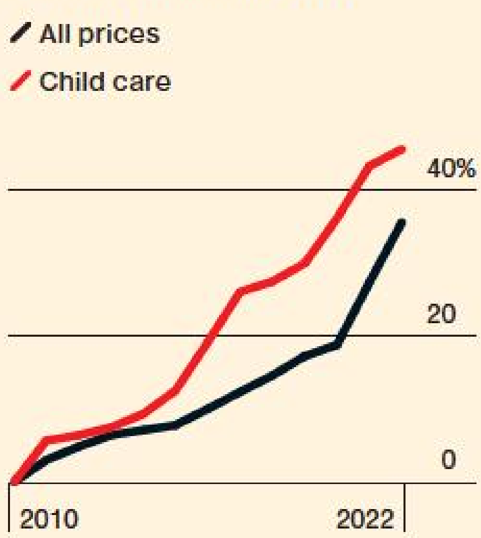
"My youngest is on a waitlist until April 2024, so she'll be 2 years old before she's able to enter day care at the same center as her siblings. We have an au pair now. In Massachusetts they are paid minimum wage. She cares for our youngest right now and provides after-school care for our oldest because after-school care is also incredibly expensive."

—Paige Connell, 33, mom of four near Boston

NATIONAL AVERAGE ANNUAL PRICE OF CHILD CARE, 2022

$10.9k

CHANGE IN ANNUAL COST



"There are times I feel like we should be getting paid more. Right now, I'm only getting $15 an hour, which is [near] minimum wage, and I've been there 10 years."

—Ashley Galasso, 32, child-care worker and mother of two in Lyndhurst, New Jersey

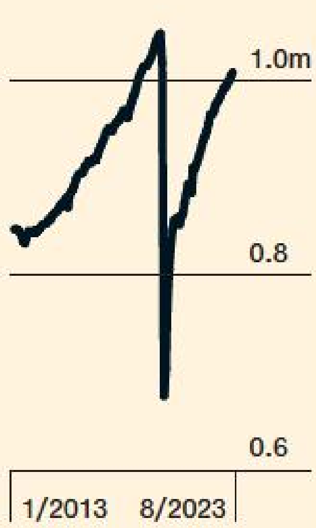
MEDIAN HOURLY WAGE

Construction trades	$23.72
Motor vehicle operators	21.86
Administrative assistants	21.19
Home health aides	15.12
Building cleaning workers	15.07
Cooks/food preparation	14.71
Retail sales workers	14.26
Child-care workers	13.71
Food and beverage servers	13.67
Cashiers	13.58

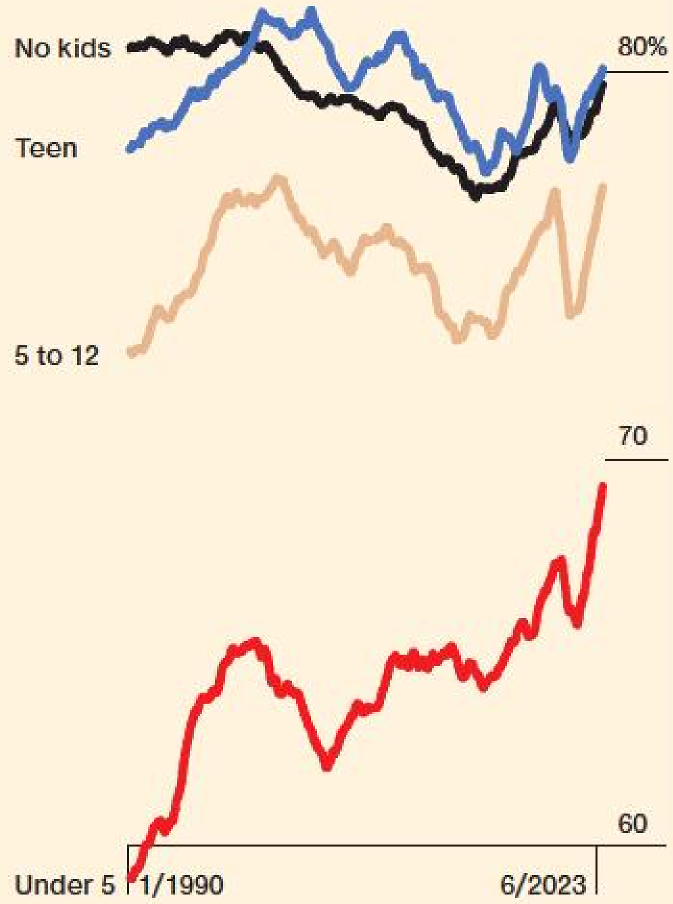
"When I offer $10 to $11 an hour, I've had a lot of potential employees that'll turn it down, because that's not a livable wage for them. So it's been a struggle trying to hire, and since we have to stay in ratio, I have a lot of spots but can't enroll children."

—Vanessa Quarles, 30, day-care center owner, Evansville, Indiana

EMPLOYEES IN CHILD CARE



PRIME-AGE WOMEN'S WORKFORCE PARTICIPATION RATE, BY AGE OF YOUNGEST CHILD, 12-MONTH ROLLING AVERAGE



STATES WITH PERMANENT FUNDING FOR CHILD CARE



"Because of the free care that is currently available to families, I had the opportunity to save for a down payment for my first house after renting for more than 20 years."

—Carolina Carrillo, 38, mother of five in Albuquerque

PERCENTAGE OF EMPLOYERS WHO PROVIDE/ALLOW



DATA: OECD, MOODY'S, THE CENTURY FOUNDATION, THE ANNIE E. CASEY FOUNDATION, CHILD CARE AWARE OF AMERICA, MOTHERLY, US BUREAU OF LABOR STATISTICS, SOCIETY FOR HUMAN RESOURCE MANAGEMENT, BLS COMPILED BY THE HAMILTON PROJECT, NEWS REPORTS



■ Daryl Shack carves a fetish at his home studio in Zuni Pueblo

KEEPING DIGENOUS ART DIGENOUS

By Erin Vivid Riley

Photograph by Kalen Goodluck

Native crafts are an ancient custom. Unfortunately, so is exploitation of the artists

In the beginning, the world was made only of water. Its depths were ruled by dinosaur-like creatures, from which protohumans hid in dark canyons, until a being named ÃwonawÃlona began projecting thoughts of unity and balance into the physical realm. The being made the Sun Father and the Moon Mother, whose movements produced land, as well as twin children who led the pre-people out from the watery underworld. But the sea monsters followed the humans, and to save them, the twin children blasted the monsters with lightning, turning them to stone, and instructed their spirit forms to help the people who were once hunted.

A vibrant mural depicting these events welcomes visitors to the A:shiwi A:wan Museum and Heritage Center, on the Zuni Pueblo in western New Mexico. It's the kind of rich cultural tradition that's made this area a hub for artists—and the people who buy Native art. On a balmy day this spring, an artist named Daryl Shack walked me along the mural, which illustrates the creation story of the A:shiwi, or the people of Zuni. A commanding man in his early 50s, Shack makes fetishes, small and intricate animal carvings, some in the shape of the monsters that the twin children petrified. For centuries the people of Zuni Pueblo have created and honored fetishes for the "medicine," or special traits, of the animals they represent. Each of Shack's pieces is shaped from stones he finds around the pueblo: a mustang of monochromatic pinolite, a bear of crystallized yellow calcite, a green-blue serpentine shaped into a porcupine. He sells each for $40 to $2,400, depending on its size and material.

"When it comes to making fetishes," Shack says, "you have to pay attention to what Mother Nature tells you, your life values and how you relate to the animal world."

Making a living as an artist is hard in most environments, but Shack faces special challenges. The Native-arts market is marred by unethical retail practices, poor treatment of craftspeople and counterfeit products—a national issue that's particularly pronounced in New Mexico. The state's borders encompass the lands of 19 pueblos, three Apache tribes and a third of Navajo Nation. Shack lives in Zuni Pueblo, where 80% of the 7,000 residents rely on traditional arts and crafts for at least part of their income.

Native-made products make up a significant portion of the estimated $137 million in revenue generated by the state's arts and culture industries every year. The retail epicenter of the Southwest's Native-arts scene is New Mexico's capital, Santa Fe, specifically its 400-year-old Plaza. It's long been the city's main tourism hub and today attracts more than 2 million people every year, many in search of authentic, fairly produced Indigenous arts and crafts. But of the Plaza's hundred-odd shops purporting to sell such objects, "there are only a handful of stores I would confidently say are fair and honest in their dealings with artists," says Bronwyn Fox, owner of Keshi: the Zuni Connection, a store near the Plaza that opened in 1981 as a co-op.

For as long as Indigenous craftspeople have sold their wares, they've had to contend with rampant appropriation of their work. Sometimes people replicate their designs without their consent; other times a non-Native artist will pose as Native. Since 1935, the Indian Arts and Crafts Act (IACA), a truth-in-advertising law, has made it illegal to falsely suggest an item is Indian-produced. But fraud persists. During a 2017 hearing aimed at modernizing the IACA, Tom Udall, then vice president of the US Senate Committee on Indian Affairs, said as much as 80% of work marketed as Native American may be counterfeit. Those figures are especially stark considering the Indian Arts and Crafts Board, an agency within the Department of the Interior, values the industry at $1.5 billion.

In theory, violating the IACA can result in steep fines and even prison sentences. In reality, though, that rarely happens. The first IACA convictions to result in prison sentences came only in 2018. In that case, two New Mexico dealers, as well as five of their suppliers, were charged with selling and distributing counterfeit jewelry in five states. The retail value of the 350,000 seized pieces exceeded $35 million.



■ Artwork at Shack's studio

KALEN GOODLUCK AND SHARON CHISCHILLY FOR BLOOMBERG BUSINESSWEEK

Although the penalties were fairly modest—one of the dealers was sentenced to only two days in prison—many artisans hoped it would be a turning point for IACA enforcement. But in the years since, little has changed. The Indian Arts and Crafts Board receives an average of 400 complaints every year. Each is evaluated by a small internal team, which then passes on viable allegations to a special

unit under the US Fish and Wildlife Service. The agency declined to say how many resources are allocated to investigate claims, but the work is labor-intensive and time-consuming. The 2018 investigation, for instance, took four years to complete.

To date, there have been around 30 violations that amounted to civil action and only three that ended in jail time. (Another awaits sentencing.) In August a non-Native store owner based in Washington state was sentenced to two years for selling $1 million worth of Philippine-produced items as Alaska Native-made. In a practice that's common among some retailers, he employed Indigenous staff to represent his counterfeit products. "They take advantage of gray areas of the law, to the detriment of the artists," says Dallin Maybee (Arapaho), an assistant director at the legal nonprofit Native American Rights Fund.

Without vigilant enforcement of regulatory laws, many craftspeople are left vulnerable to bad actors—and with few good options for maintaining their livelihoods. They can try to market themselves effectively online, or hustle to get into stores, often underselling themselves to compete. Many speak openly about a third route: to leave their craft behind altogether.

Within the hierarchy of the Indigenous-arts market are tiers of workers, each of which faces distinct challenges. On one end of the spectrum in New Mexico are "full retailers," who can make a living by selling much of their work directly to the public, primarily through social media or at art shows. On the other end are "jobbers," who might be on welfare while struggling to churn out batches of products that earn them only a small fraction—often a few cents on the dollar—of the ultimate retail price. Jobbers usually can't afford to travel from their tribal lands to a place such as Gallup, a wholesale arts capital near Zuni Pueblo and Navajo Nation, or Santa Fe on their own. Instead they have to rely on middlemen who work at trading posts within walking distance, or dealers who come onto reservations seeking bulk purchases.

"They're hurting," says Gabriel Sice, a full-retail carver from Zuni Pueblo, referring to jobbers. "When [the dealers] come in, they flock, but it's only ever enough to get by."

When the store owner Fox was growing up in Zuni, her mother, who was on the board of the co-op that would become Keshi, told her of the treatment artists endured. Some traders locked artists in their stores until they agreed to a low price, or made a wholesale deal over the phone, only to cut the offer by half when they met for the sale. "They knew how to exploit people who need to make sales to cope," Fox says.

The system has created diminishing returns. "You can go into the shops in Gallup and see artists who, as a matter of survival, have to undercut each other," Maybee testified at the 2017 IACA hearing. He described a race to the bottom, in which unscrupulous dealers force struggling artists to undersell themselves—and by extension their fellow artists. "The dealers know, 'If I don't get something from this artist, I can go get something similar,'" Maybee said. "For some, it will be straight counterfeits."

Moving out of the jobber tier may require engaging in a practice that's been prevalent since the 1800s: traveling from reservations to sell work at hundreds of trading posts, wholesale dealers and shops across Gallup, Santa Fe, Albuquerque and elsewhere. With a



■ At Keshi, artist Melvin Sandoval holds one of his works

fair dealer, an artist can receive as much as 30% to 50% of their work's retail value. "The artist sets the price and, based on the work and what I think I can sell it for, I'll either buy it or not buy it," says Mark Bahti, of Santa Fe's Bahti Indian Arts store. Some of Bahti's inventory comes from artists he's worked with for decades, many of whom have since sent their children and grandchildren to sell to him.

But according to craftspeople, trustworthy dealers are few and far between. Michael Turano, a non-Native New Mexican and turquoise lapidarist, says he watched a shopkeeper take photos of his pieces and text them to somebody else. After declining an insufficient offer at the first store he walked into, he found that offers at every subsequent store were incrementally lower. "By the time you got to the end, you'd be stuck," he says. "You've spent your gas money and would have to dump your product to leave." Jonathan McKinney, an Acoma Pueblo sales representative for his family's jewelry business, also describes encountering seemingly coordinated offers. "You have to be strategic, or you can be manipulated," he says.

There's a physical space for Native artists in New Mexico to sell directly to customers and keep 100% of their sales—they can set up at the *portal*, a stretch of sidewalk on the Plaza. Makers undergo an evaluation process during which a committee from the New Mexico History Museum watches them produce a piece from start to finish. As many as 1,500 people are currently enrolled in the program; those ▶

◀ interested in selling must enter a daily lottery for one of 80 available spaces.

Increasing broadband access on tribal lands has allowed artists to market their work online, but that also has challenges. Some have had to make their Instagram and Facebook pages private, approving potential buyers individually, because of rampant design stealing.

After Ellouise Toya, a Santo Domingo Pueblo silversmith, created an online store during the pandemic, she received a call from a woman asking her to reset an inlay on a piece of Toya's purchased from a trading post in Utah. Toya was suspicious. When she saw a photo of the piece, she knew immediately it wasn't hers. "It used my trademark and was clearly an attempt at one of my designs," she says, claiming someone must have seen her work online and copied it. "It felt like losing my identity."

In many Plaza shops, a name you'll encounter often is A Touch of Santa Fe. The jewelry manufacturer uses designs incorporating a technique called channel inlay, which involves arranging pieces of stone in silver casings to create a mosaic; the style originated with the A:shiwi and is now common among Navajo silversmiths. But when consumers pick up a Touch of Sante Fe piece and see that it's labeled "handcrafted," they might imagine a design and fabrication process much different than actually takes place. In many ways the company's place within the Native-arts market is a result of the nebulous criteria that let retailers stay on the right side of the law.

A Touch of Santa Fe distributes all over the country; many jewelry stores in New Mexico's commercial hubs feature its wares. Prices range from $160 for earrings to $1,650 for necklaces. Verifying the provenance of a piece, though, may prove difficult. When I asked a shopkeeper at Nakai Indian Jewelry in Santa Fe about the brand's artists, he handed me a card listing 12 names. He took the card back from me after I told him I was a reporter.

A Touch of Santa Fe's manufacturing warehouse sits on a dusty street in Gallup. It's a small building, barely larger than the burger joint next door. I visited in late August and watched about a dozen craftspeople work a production line. They molded silver casings, inlaid them with shards of stone, buffed them, then packaged them for distribution.

When the company began in 1993, it hired a Navajo artist named Calvin Begay to create its designs. "He pretty much taught us a lot of the methods," says Issam Dada, owner of A Touch of Santa Fe. At the time, the company sold its products as Begay's, and soon his name appeared all over the Southwest, under the Touch of Santa Fe brand but also other brands. This appropriation became so widespread that, in 2008, New Mexico's attorney general charged two stores in Santa Fe with selling fake Calvin Begay jewelry.

Dada says that in the agreement he had with Begay in the '90s, the artist was to receive "1 to 2%" of A Touch of Santa Fe's gross sales. (Begay couldn't be reached for comment, and Dada declined to clarify the exact terms of their agreement.) According to Dada, the company is acting within the parameters of the IACA. He says he owns the intellectual-property rights to all the brand's designs, employs only Native craftspeople at the facility and accurately represents its products, which are labeled "Indian handcrafted" instead of "Indian handmade." These labels don't denote the nature of the artists' involvement: "Handcrafted" is often used for products that employ some degree of casting and premade parts, while "handmade" is meant to signify something created entirely by hand.

The distinction is likely lost on most consumers. At Southwest Connection, a jewelry store in the Plaza that has a large banner of Calvin Begay hanging out front, I saw two pairs of almost identical ▶



■ Native art shop Keshi started as a co-op in Santa Fe

SHARON CHISCHILLY FOR BLOOMBERG BUSINESSWEEK

◀ earrings that came from the same wholesaler. One was labeled "handcrafted," the other "handmade." When I asked visiting shoppers whether they knew the difference, none did.

In the past few decades a dozen states have enacted their own laws prohibiting misrepresentation of Native art, though enforcement varies. New Mexico has worked with the Indian Arts and Crafts Board on federal cases, but the attorney general's office couldn't identify any litigation stemming from its state law. Artists who discover their designs have been stolen have little recourse beyond filing complaints under the IACA, or with state attorneys general or consumer protection bureaus. Many—such as Toya, the Santo Domingo jeweler—have registered their trademarks, but that doesn't mean they have the means to take infringement cases to court.

To create more oversight, Congress is in the process of amending the IACA with new provisions, including mandating that pieces have indelible marks to specify their origin, and authorizing any federal law enforcement officer to charge violations, instead of just those with the US Fish and Wildlife Service. But other potential changes have artists questioning the government's ultimate vision for the law. One proposal would expand the definition of an Indian product to include those beyond arts and crafts, such as agricultural and food items. "This amendment misses the mark of what the intention of the act was," says the Native American Rights Fund's Maybee. "There needs to be a difference between Native American art as an act of cultural preservation and a Native-produced commodity that is more suited to mass production."

The pending draft would also permit a 50% Indian-owned business to produce Indian arts and crafts using non-Indian labor, prompting fears of an even more large-scale manufacturing system that could further crowd out individual artists and craftspeople. "What's going to happen is even more tokenism," says Liz Wallace, a Nisenan, Washo and Diné silversmith.

Effective change, artists and dealers say, is more likely to come at the city and consumer levels: local governments creating havens for Native artists, and buyers taking their own steps to ensure the authenticity of their purchases. But a 2008 proposal from Santa Fe's mayor to create a "cultural district" that would set higher standards of authenticity—essentially a brick-and-mortar offshoot of the portal—never materialized. Educating the public on the issue can also be difficult when Santa Fe projects such a sheen of credibility. "People still take authenticity at face value here," Wallace says.

Many artists are thus left to fight for themselves against centuries of compounding forces of exploitation. The profit margins remain slim for many craftspeople. Toya makes her own turquoise beads from scratch, which is itself a dying art. But surging prices for raw turquoise lead her to worry how much longer she can compete.

"It's like that song *Cherokee People*, which goes, 'And all the beads we made by hand / Are nowadays made in Japan,'" she says, adding that the price of turquoise at her supplier has risen from $45 to $850 per pound in just the past few years, because of increased demand in foreign markets. "My dad always told me this craft is going to go on forever, but I'm frightened," Toya says. "I tell my kids, 'You have to get a good education, because all this is going to die out.'"

Adaptation is also possible. Wallace, for instance, has been using traditional techniques with new materials. "Before, I had to use a lot of turquoise just to sell," she says. "But now, because I have all these other skills, I don't have to use turquoise at all."

Back in his studio, a space in the corner of his living room, Shack tells me he's found hope in the younger generations of A:shiwi. When he isn't crafting work that keeps his cultural traditions alive, he's mentoring at the Zuni Youth Enrichment Project, a nonprofit that provides after-school and summer arts programming to kids; he also rallies the tribal council to prioritize initiatives such as the ArtWalk, a regular event intended to bring more tourists to the pueblo.

"We can't go backwards," Shack says. "We have to evolve this art community. We have to grow it into something new."

His inventory, laid out on starched tablecloth, looks like a kaleidoscope of ancient shells on a white-sand beach. I think back to how the sea monsters that once held dominion over his ancestors were petrified by bolts of lightning, how only then were his people able to flourish. From his stash of soon-to-be-carved rocks, he retrieves an iridescent fluorite crystal no larger than an apricot. It would, Shack says, soon tell him which animal it would become, as all his found stones do. Ⓑ



■ Satellite image of Diego Garcia, the largest of the Chagos islands

By Olivia Konotey-Ahulu and Mohsis Andam

PARADISE LOST

Starting in 1968, the Chagossian people were evicted from their British-controlled archipelago to make way for a US military base. They're still seeking a proper reckoning

USGS/NASA/ORBITAL HORIZON GALLO IMAGES/GETTY IMAGES

On an icy Valentine's Day evening this year, a group of people trickled into a deserted-looking community center in the depths of London's commuter belt to hear allegations of crimes against humanity. Speakers from Human Rights Watch were presenting a report detailing breaches of international law by the UK. The audience listened politely, interrupting only with the occasional hacking cough from an elderly person or squawk from a baby. It was a story they knew well, because it was their own.

The speakers recounted how, beginning in 1968, the people of Britain's last remaining African colony, the Chagos Archipelago, in the Indian Ocean due south of Mumbai and east of Dar es Salaam, were forcibly removed from their homes and scattered around the world. Many ended up where everyone was sitting now, in the English town of Crawley.

Their situation is rooted in the last gasps of British imperialism. The Chagos Archipelago was originally colonized by France, which brought in slaves from Mozambique and Madagascar to work on coconut plantations and administered the islands as a dependency of Mauritius, another Indian Ocean colony far to the southwest. In the 1810s, the UK won control of Mauritius and kept the same administrative arrangement. Almost 150 years later, during the Cold War, as Britain's empire and superpower status were rapidly disintegrating, the Chagos Archipelago afforded the UK an opportunity to deepen ties with the US. The US was establishing military outposts around the world, and the islands offered a waypoint to the Indo-Pacific region, the South China Sea and the Persian Gulf.

So, in 1965, the British government established the archipelago as a separate territory, paid Mauritius £3 million for the loss and agreed to let the US operate a military base there for an initial 50 years, in return for a $14 million discount on nuclear missiles and joint use of the facility. The UK also began planning to move Chagossians off the islands, holding internal deliberations that emerged decades later in legal proceedings.

"We must surely be very tough about this," an official wrote in 1966. "The object of the exercise is to get some rocks which will remain ours; there will be no indigenous population except seagulls."

"Unfortunately along with the Birds go some few Tarzans or Men Fridays whose origins are obscure, and who are being hopefully wished on to Mauritius etc," another official said in response.

From 1968 to 1973, as negotiations over the base continued, the UK either removed or barred about 1,500 Chagossians from the islands. Publicly, Britain said this was necessary because it would be economically unsustainable to maintain a civilian population there. A US government report said it was preferable for the islands to be uninhabited for security reasons and because of potential issues associated with having a military base on "an isolated tropical island alongside a population with an informal social structure."

By 1971 the US Congress had approved construction of a facility on Diego Garcia, the largest island in the group. A UK government document from that year concluded that the people living on other islands should continue to be resettled, in case they were needed in the future. The transfer was complete by 1973.

The Human Rights Watch presentation in Crawley covered much of this history, including the officials' comments. Those, too, were familiar to some of the audience, a source of outrage over the years. Many of those present had been in the UK for decades, following a 2002 decision by the British government to make them and their children eligible for passports. Some had found their way into cleaning jobs, including at Gatwick Airport, about 5 miles away. But some, from older generations in particular, struggled to adapt to the language and therefore to find work or navigate the British welfare system.

The revelation of the callousness and racism that underlay the Chagossians' expulsion from the islands did nothing to change the outcome. When the original deal between the UK and the US came up for renewal, it was decided that the arrangement would continue for an additional 20 years, with no meaningful input from the community. The UK and Mauritius have been engaged in a long-running dispute over who should have sovereignty over the islands, but both countries agree that keeping the military base open is a priority. The US, for its part, has consistently denied having any responsibility for the Chagossian people. (A spokesman for the US Department of Defense wrote in a statement, "The British Indian Ocean Territory [BIOT] and United Kingdom have lead on this matter, with the U.S. Navy providing support consistent with U.S. and international law.")

The community at the meeting in Crawley was at a turning point of sorts. Months earlier, after a sustained campaign from the local member of Parliament, the British government had opened a path to citizenship for younger generations of Chagossians, many of whom were living in Mauritius or the Seychelles and had for years struggled to join their relatives in the UK. The local governing councils responsible for Crawley were anticipating that the population would soar, and they'd written

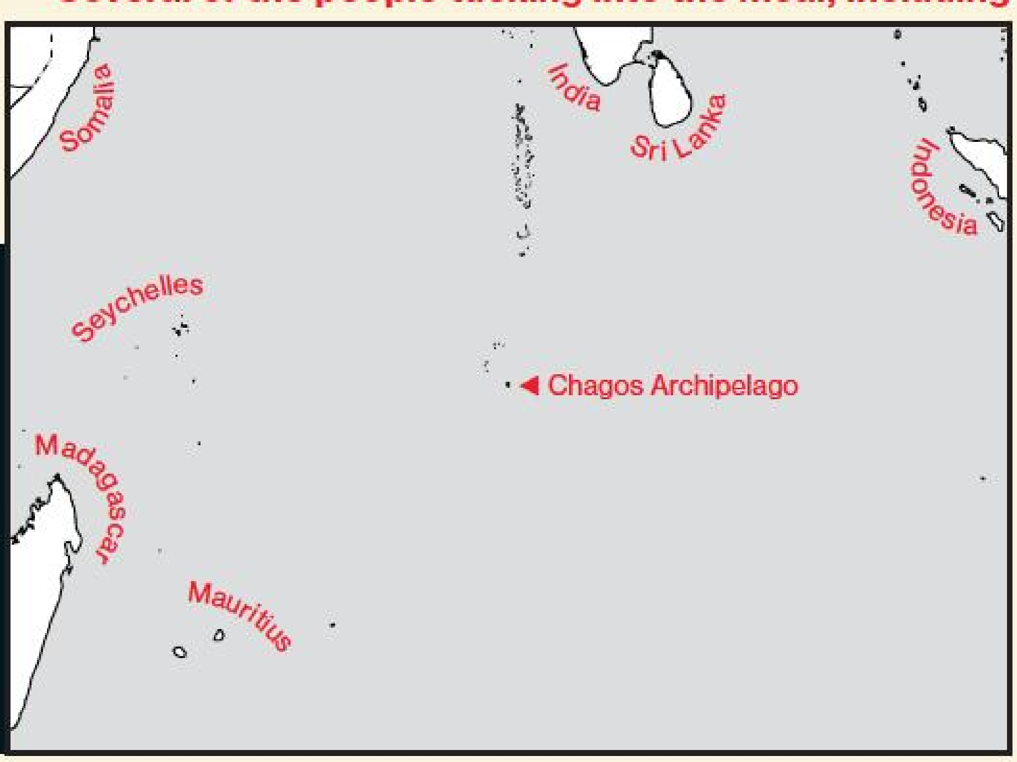
an open letter to the national government following the decision, warning of a funding crisis that could effectively lead to bankruptcy if thousands arrived needing temporary accommodation.

Many of those present in the community center had been interviewed for the Human Rights Watch report, and it was accompanied by a documentary directed by a second-generation Chagossian and a list of recommendations for redress, including reparations and restoring the right to return. The mood in the room was largely hopeful, even as one speaker, Frankie Bontemps, a 54-year-old who'd come to the UK in 2006, reminded the audience of how the government had treated the community, including that they'd been described as "Tarzans" and "Men Fridays."

As the chairs were collected and Bontemps prepared to leave, he summarized the situation. "Our people have been sacrificed to the defense of the West, and what do they get in return?" he asked. "We've been exiled."

A month or so after the Human Rights Watch meeting, low clouds hung over Broadfield, a neighborhood in Crawley where many Chagossians live. Another gathering was about to begin at a different community center, this one a weekly highlight of the Chagossian calendar. Chairs were rapidly filling up for the "elderly lunch club," a few hours of food, conversation, prayer and bingo. Praise music played from a handbag-shaped speaker, and in an adjoining kitchen women stirred huge steel pots of fish and rice.

Several of the people tucking into the meal, including Bontemps, had recently visited the houses of Parliament to get Human Rights Watch's findings in front of several MPs and to repeat their demands. These included full compensation for what the report describes "as the physical, psychological, and economic harms they suffered both during the forced displacement and ever since." The Chagossians also repeated that they were entitled to permanently return to the islands. In the coming months, they would make similar presentations to delegates at a UN conference in New York.



One of the people who established the lunch club two years ago, Christine Cateaux, was greeting attendees as they entered, checking on how they were progressing with issues such as housing, welfare and health. In her 40s, with copper highlights in her dark hair, Cateaux wasn't born on the Chagos Archipelago and has never been there. But she's found herself taking on the administrative needs of the Crawley community on a voluntary basis. Her connection to the islands is through her mother. At some point during the 1960s, as the British were clearing the islands, her mother had attempted to return home after a stay in Mauritius. She was told the American flag had been planted there and she couldn't go back.

"There will be no indigenous population except seagulls," an official wrote in 1966

Cateaux was born and grew up in Mauritius. She didn't know what had happened to the Chagossians until she was a young adult, because her mother protected the family from this history. After the UK government's decision to make Chagossians eligible to get British passports, Cateaux saved up for the £400 ticket to London and ended up in Crawley.

As the lunch proceeded, two Chagossian elders, Raymonde and Corine, came out to the hallway. Cateaux acted as interpreter for the women, who, like others who grew up on the islands, speak the Chagossian dialect of French Creole. They didn't provide their last names.

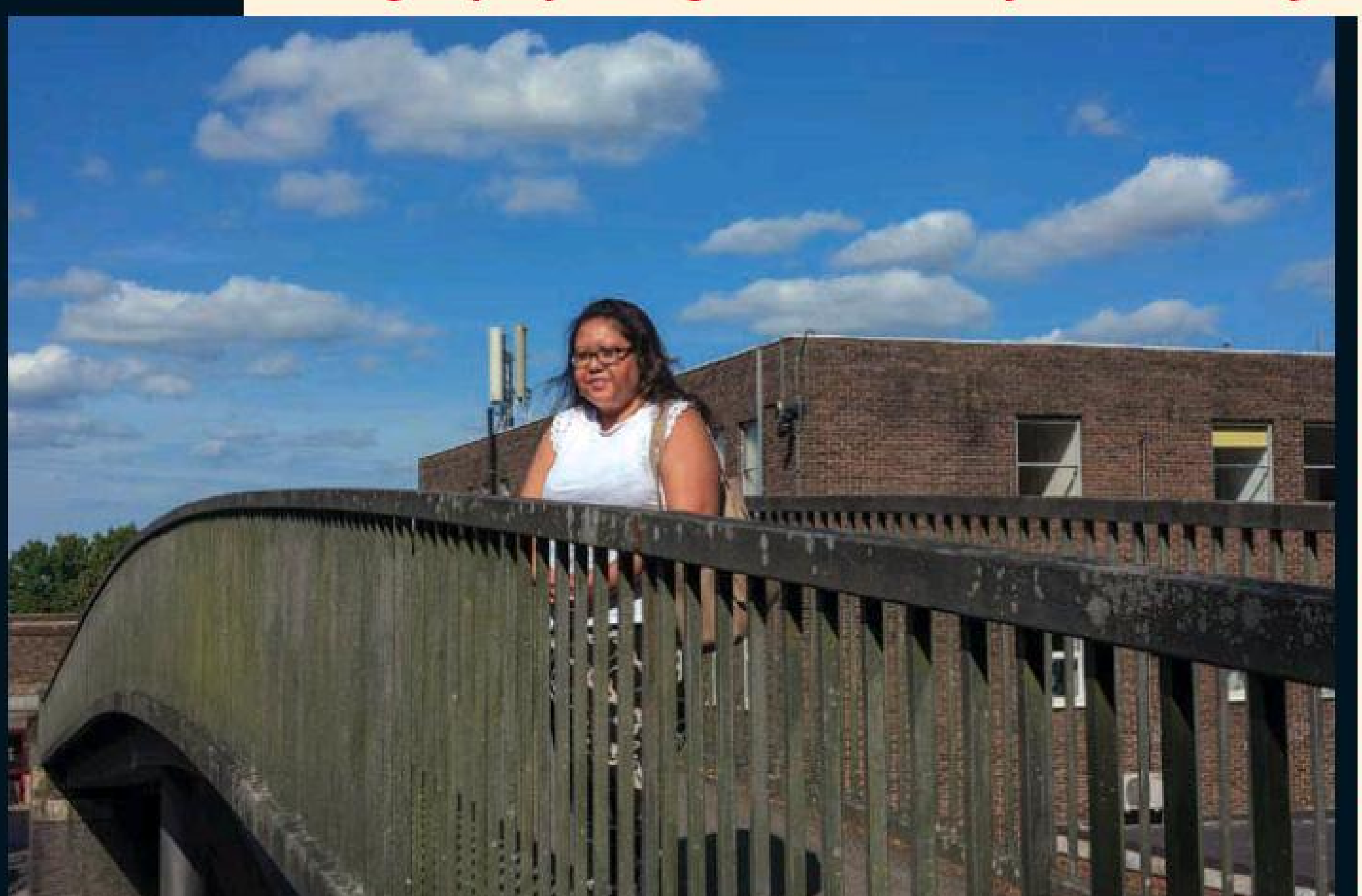
The UK government hasn't put forth an official account of the removal, beyond a basic admission that the British Indian Ocean Territory wrote it into law. The Human Rights Watch report recounts the measure, implemented in 1971 by the commissioner of the BIOT, that prevented anyone from entering or remaining on the islands without a permit. It essentially told Chagossians to leave and prevented anyone who might have left temporarily from coming back. That year, the report documents, the British even rounded up and killed the Chagossians' dogs, using first bullets and then exhaust fumes.

Raymonde, who's in her 70s, recalled how food and clothing shipments stopped. People relied on fish and coconuts to survive. Finally, in 1973, the last Chagossians were forced onto boats, which bounced between several islands across the archipelago before eventually landing in Mauritius. Independent filmmakers, journalists and nongovernmental organizations have documented the conditions the Chagossians suffered during this forced migration, including some people sharing ▶

◀ living quarters with livestock. One source interviewed by Human Rights Watch remembered two travelers dying on board. When the boats finally reached Mauritius and the Seychelles, Chagossians were left to make their way to slums.

Corine, who's in her early 60s, was born on Diego Garcia and arrived in Mauritius when she was 12. Her education ended there, as she began taking on cleaning jobs to support her parents. She hadn't been particularly interested in moving to the UK, coming only after she suffered a brain injury. Raymonde recalled being among the last to leave the islands. She said she was pregnant at the time and gave birth on the ship. She didn't elaborate.

Shouts echoed from the main room, signaling that bingo had begun. Cateaux watched Raymonde and Corine get up to join the game.



■ Cateaux

"Hearing those stories again and again and again—we want people to know the sufferings and everything," she said. "But it's not something that we like to hear, really, because it's very emotional. You get sad."

In 2002, Henry Smith was sitting on the council for West Sussex, the county that encompasses Crawley. After the UK government passed the law opening a path to British citizenship for Chagossians that year, he remembers, a group of them, including many who didn't speak English, appeared at Gatwick. They had new passports but little information on how to navigate the nation where they were now citizens. After the group had slept in the airport for several nights, the local councils stepped in and found emergency accommodations, including in Crawley.

Several years later, Smith became an MP for the Conservative Party. He's since campaigned for the Chagossians' right to resettle on the islands. After 13 years in office, he's preparing to step down before the next general election, expected next year. He admits it's unlikely the Chagossians' situation will change in that time. "Certainly what progress there has been has been glacial, and I'm still sort of perplexed as to why," he says. Then he answers his own question: The number of Chagossians is relatively small, and "Chagos always seems to be a chess piece between the powers. The people whose land it was for several hundred years constantly seem to be overlooked. And I think that's an absolute tragedy that continues to this day."

Bontemps was one of the people who took up the government's offer of citizenship, arriving in 2006 hoping to provide a better life for his family than Mauritius could offer. "That's our main goal when we came here in this country—to work, try to do the best for the next generation," he says. The first few months were challenging. He found only occasional work until he landed a job cleaning at Gatwick. He stayed there for a decade before moving on to work at a hospital. After many hours of overtime, he'd been able to bring his family over, but his mother remained in Mauritius, alone. "My mom keeps on saying that this passport is a curse," he says, then has to take a pause. "She said this passport broke our family."

Historically, the UK has tended toward denial when it comes to the injustices of its colonial past. Calls for apologies and reparations have largely been ignored. The Chagossians have been one of the rare groups to receive money for harms inflicted on them during the imperial era. In 1973 the UK paid the government of Mauritius £650,000 toward the resettlement of Chagossians, and it was distributed to around 600 families several years later. The UK made another payment of £4 million in 1982, again to the Mauritian government to distribute. Finally, in 2016, the Conservative government

of Prime Minister Theresa May acknowledged that the expulsion of the Chagossians was "wrong" and set aside £40 million for those living in the UK and overseas.

When Cateaux first heard about the £40 million, she thought every Chagossian would receive that much, in recompense for decades of exile. "It was announced that we were having compensation, but it's not compensation," she says. That is, the money wasn't reparations, designed to make full amends for the deportation and its legacy; rather, it was for community groups to help stave off issues such as homelessness and isolation.

Groups serving Chagossians spent years struggling to access the funds. According to government figures, the Foreign Office didn't allocate any money to third parties until November 2020, and today less than £1 million of the £40 million has been spent. The elderly lunch club is one of the few initiatives to have received money, about £10,000, which Cateaux got in May by applying to the Sussex Community Foundation for a share of the £200,000 it had been awarded. "It's just peanuts, right?" she says of the lunch club funding. She's worked out that the money will last less than six months, after which she can apply for a grant that could last longer.

The £40 million was to be spent across 10 years. The Foreign Office didn't respond to a request for comment on why so little of the money has been spent, or on whether the commitment will expire in 2026. In a written statement, a spokesperson for the Foreign Office said: "The UK has made clear its deep regret about the manner in which Chagossians were removed from BIOT in the late 1960s and early 1970s. We remain committed to supporting Chagossians wherever they live."

Cateaux dreams of the Chagossians being served with an office, or two, or three, staffed with interpreters, legal advisers and liaison officers to guide them through the maze of British bureaucracy. That might be unlikely, but there have been signs of movement. In September the council put up a webpage in the Chagossian dialect of Creole. "Progress is being made but very slowly," she says. "Slowly but surely."

The largest portion of the 2016 funds has gone toward so-called heritage visits, which began the next year and allowed Chagossians to visit the archipelago for around a week. Those visits were halted during the Covid-19 pandemic and haven't resumed. Bontemps says the trips can be perversely cruel. An elder explained to him, "It's as if you are showing a cake in a shop where you just look at it—you can't go and eat it." The result, Bontemps says: "They go there for a few days, and when they go back, it's worse for them."

In August the UK published statistics showing that, from last November (when the qualifications for citizenship were relaxed for direct descendants of those born on the Chagos Archipelago) to June, more than 2,000 people had applied and been accepted.

It would be some time yet before any new British citizens reached Crawley. "We are yet to receive new arrivals," says Michael Jones, leader of the Crawley Borough Council. The financial crisis the council warned of in its open letter isn't imminent, but, he says, "the concerns we have expressed previously remain."

Come September, Cateaux was once again assisting a reporter with translation. She'd be helping with interviews with José Jacques, who's 72 and was born in Mauritius to Chagossian parents, and Yolande Appadoo, who's 79 and another of the dwindling number of Chagossians who grew up on the islands. Cateaux longed to take a month or two off from her volunteer duties, but it was looking impossible before the end of the year. En route to meet the elders at Appadoo's home, she bumped into an acquaintance wearing a National Health Service lanyard. Cateaux came away promising to help arrange flu shots for the community.

Appadoo and Jacques would be talking about the community they'd experienced growing up and what they knew of life on the islands. Appadoo last visited around five years ago, when the heritage visits were still running. Sitting in her living room with weak sunlight filtering through net curtains and onto plastic sunflowers in the corner, the two of them recalled island rhythms that Appadoo said she didn't expect, at her age, to see again. Laughing, she and Jacques described how every Saturday, communities would gather to dance to the islands' traditional music, called Sega tambour Chagos. Sometimes, if two people had argued, one person would sing their grievance to the other, who had to complete the song with their side of their story as a means of settling the argument. "You see how her face illuminates," Cateaux said as Appadoo sifted through her memories.

It was difficult for Appadoo to remember exactly what the islands looked like during her heritage visit, but she recalled flashes, including breathing in the sea air, which Chagossians believe is healing. "It's completely different—you are transformed," Cateaux said, interpreting and adding, "She says it's beautiful." More details weren't forthcoming, though. Appadoo had a funeral to get to, one of three in recent weeks in the community.

There are evocative photos on the internet showing what the Chagos Archipelago looks like. They weren't taken by Chagossians—rather, they're the handiwork of passengers on yachts, which can moor on some of the islands for up to four weeks at a time. Blog posts show people holding up tuna fish the size of their torsos, alongside turquoise shallows that stretch into the horizon above multicolored coral reefs and white sand banks that reach toward one another around a lagoon.

"Words cannot do it justice," a post from 2007 reads. "We just didn't want to leave!" Ⓑ *—With Gilda Di Carli*

PHOTOGRAPH BY KALPESH LATHIGRA FOR BLOOMBERG BUSINESSWEEK

The Business Case for Being Pro-LGBTQ

By Ella Cerón

Almost 500 bills restricting LGBTQ rights have been introduced in the US this year, more than in the last five years combined. Eighty-six have passed. Rhetoric against the community is growing, with hate speech surging on social media in the wake of these restrictive laws. “That’s really dangerous territory when you’re demonizing a certain group of people to that extent,” says Maeve DuVally, principal of consulting firm Glasheen & Co. “It leads to violence against us.”



For companies with pro-LGBTQ policies, it’s no longer a question of whether they’ll face conservative backlash, but when. Target Corp. suffered a misinformation campaign when bigots claimed it was selling “tuck-friendly” swimsuits for trans children. It wasn’t, but that didn’t stop people from destroying Pride displays and harassing workers. An Instagram partnership with influencer Dylan Mulvaney sparked such anti-trans furor that Bud Light’s US sales briefly dropped 18%.

Given that 7.2% of US adults identify as LGBTQ, politically timid companies might try to avoid controversy by simply not catering to them. But they’d be missing out on a lot of money. Globally, LGBTQ people hold an estimated $3.9 trillion in purchasing power, according to investment adviser LGBT Capital. A survey by the consulting firm Edelman found that Americans are twice as likely to support pro-LGBTQ brands and 4.5 times as likely to work for them.

Millennials and Gen Z are more likely than older generations to identify as LGBTQ, so companies courting them as customers or employees need to appeal to them. They notice when a company supports LGBTQ rights—and when it doesn’t. When conservatives targeted her with death threats, Mulvaney said, Anheuser-Busch Cos. never reached out to her. (Anheuser-Busch said the privacy and safety of its employees and partners was “our top priority,” but didn’t dispute Mulvaney’s claim.)

Young consumers expect more. When North Face ads featuring drag queen Pattie Gonia prompted Marjorie Taylor Greene and others to call for a boycott, the company didn’t back down. Abercrombie & Fitch Co.’s perennial Pride campaign features models of various genders and sexualities.

It’s not just marketing, though. About 1 in 4 US employer-provided health plans cover some gender-affirming care. Earlier this year the job search company Indeed Inc. offered a $10,000 relocation fee for trans employees or those with trans children who want to leave a state with restrictive laws. So far, several people have taken it up on the offer.

In the end, an increasingly hostile climate has made the LGBTQ community less forgiving of empty corporate gestures. They want real support. They want health care. According to numerous polls, most Americans, regardless of gender or sexual identity, agree. “This is going to wash out the companies that really aren’t supportive of our community,” DuVally says. “And I don’t think that’s necessarily such a bad thing.” Ⓑ —*Ella Cerón is a Bloomberg News reporter and the author of the novel* Viva Lola Espinoza.

ILLUSTRATION BY GEORGE WYLESOL

Bloomberg Businessweek (USPS 080 900) October 9, 2023 (ISSN 0007-7135) H Issue no. 4800 Published weekly, except one week in February, April, May, June, July, August, September, October and November by Bloomberg L.P. Periodicals postage paid at New York, N.Y., and at additional mailing offices. Executive, Editorial, Circulation, and Advertising Offices: Bloomberg Businessweek, 731 Lexington Avenue, New York, NY 10022. POSTMASTER: Send address changes to Bloomberg Businessweek, P.O. Box 37528, Boone, IA 50037-0528. Canada Post Publication Mail Agreement Number 41989020. Return undeliverable Canadian addresses to DHL Global Mail, 355 Admiral Blvd., Unit 4, Mississauga, ON L5T 2N1. Email: contactus@bloombergsupport.com. QST#1008327064. Registered for GST as Bloomberg L.P. GST #12829 9898 RT0001. Copyright 2023 Bloomberg L.P. All rights reserved. Title registered in the U.S. Patent Office. Single Copy Sales: Call 800-635-1200 or email: bwkcustserv@cdsfulfillment.com. Educational Permissions: Copyright Clearance Center at info@copyright.com. Printed in the U.S.A. CPPAP NUMBER 0414N68830

FSC MIX Paper FSC® C084269

watsonx™
can access the
open-source 🤗
models you need

to build 🛠 the AI
your business needs.

IBM. Let's create|

ibm.com/watsonx

IBM, the IBM logo, IBM watsonx, watsonx and watsonx your business are trademarks or registered trademarks of International Business Machines Corporation, in the United States and/or other countries. Other product and service names might be trademarks of IBM or other companies. A current list of IBM trademarks is available on ibm.com/trademark. ©International Business Machines Corp. 2023.

PATEK PHILIPPE
GENEVE

BEGIN YOUR OWN TRADITION




YOU NEVER ACTUALLY OWN A PATEK PHILIPPE.

YOU MERELY TAKE CARE OF IT FOR THE NEXT GENERATION.

CALATRAVA REF. 6119

PATEK.COM